

LANDRICH HOLDING LIMITED 譽樂豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2132

Share Offer

Sponsor

FRONTPAGE 富比

Joint Bookrunners



新城晉峰
SEAZEN RESOURCES



德林證券
DL SECURITIES

Joint Lead Managers



新城晉峰
SEAZEN RESOURCES



禹洲金控
YUZHOU FINANCIAL HOLDINGS



SOLOMON

IMPORTANT

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

LANDRICH HOLDING LIMITED

譽樂豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	400,000,000 Shares (comprising 320,000,000 new Shares and 80,000,000 Sale Shares)
Number of Public Offer Shares	:	40,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	360,000,000 Shares, comprising 280,000,000 new Shares and 80,000,000 Sale Shares (subject to reallocation)
Maximum Offer Price	:	HK\$0.34 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	2132

Sponsor

FRONTPAGE 富比
Frontpage Capital Limited

Joint Bookrunners



Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC 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 agreement between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) but in any event no later than Wednesday, 14 October 2020. The Offer Price will be not more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.325 per Offer Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.34 for each Offer Shares together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.34 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our Company's consent (for itself and on behalf of the Vendor), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice will be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.landrich.com.hk. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on or before Wednesday, 14 October 2020, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus.

30 September 2020

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.landrich.com.hk and the Stock Exchange at www.hkexnews.hk.

2020

Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Wednesday, 30 September
Application lists for Public Offer open ⁽²⁾	11:45 a.m. on Friday, 9 October
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, 9 October
Latest time for giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Friday, 9 October
Application lists for Public Offer close ⁽²⁾	12:00 noon on Friday, 9 October
Expected Price Determination Date on or about ⁽⁴⁾	Monday, 12 October
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of application in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of our Company at www.landrich.com.hk ⁽⁵⁾ and on the website of the Stock Exchange at www.hkexnews.hk on or before	Monday, 19 October
Announcement of results of allocations under Public Offer (with successful applicant's identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares – 10. Publication of results" in this prospectus including the website of our Company at www.landrich.com.hk ⁽⁵⁾ and the website of the Stock Exchange at www.hkexnews.hk on or before	Monday, 19 October
Results of allocation in the Public Offer will be available at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) with a "search by ID/Business Registration Number" function from	Monday, 19 October
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁶⁾⁽⁸⁾	Monday, 19 October
Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁷⁾⁽⁸⁾	Monday, 19 October
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Tuesday, 20 October

EXPECTED TIMETABLE

The application for the Public Offer Shares will commence on Wednesday, 30 September 2020 through Friday, 9 October 2020, being slightly longer than normal market practice of four business days. The application monies (including brokerage, 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 applicants without interest on Monday, 19 October 2020. Prospective investors should be aware that the Price Determination Date is expected to be on or about Monday 12 October 2020, on which the Offer Price is determined and, in any event, no later than Wednesday, 14 October 2020 and the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 20 October 2020.

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or extreme conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 October 2020, the application lists will not open on that day. See “How to Apply for the Public Offer Shares – 9. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or around Monday, 12 October 2020 and, in any event, not later than Wednesday, 14 October 2020. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on or before Wednesday, 14 October 2020, the Share Offer will not proceed and will lapse.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Tuesday, 20 October 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.

EXPECTED TIMETABLE

8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Monday, 19 October 2020 or such other date as notified by our Company as the date of despatch/collection of Share certificates/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection. Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies – personal collection – (iii) If you apply via electronic application instructions to HKSCC" of this prospectus for details. Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for the Public Offer Shares – 12. Refund of application monies" and "How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies" in this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

No action has been taken to permit an offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

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

	Page
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	14
GLOSSARY OF TECHNICAL TERMS	23
FORWARD-LOOKING STATEMENTS	25
RISK FACTORS	27
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	43
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	47
CORPORATE INFORMATION	51
INDUSTRY OVERVIEW	53
REGULATORY OVERVIEW	65
HISTORY, DEVELOPMENT AND REORGANISATION	82
BUSINESS	89

CONTENTS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	171
CONNECTED TRANSACTIONS	174
DIRECTORS, SENIOR MANAGEMENT AND STAFF	175
SHARE CAPITAL	189
SUBSTANTIAL SHAREHOLDERS	192
FINANCIAL INFORMATION	193
FUTURE PLANS AND USE OF PROCEEDS	255
UNDERWRITING	267
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	274
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	281
APPENDIX I – ACCOUNTANTS’ REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

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" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

Overview

We are a contractor having a long history of undertaking construction works in Hong Kong. We started our business in 1993 and have accumulated more than 26 years of solid track record in the construction industry in Hong Kong. We are able to undertake civil engineering works as either a main contractor or a subcontractor. During the Track Record Period, we focused on civil engineering projects, some of which were large scale. Our civil engineering projects can be broadly classified as roads and drainage works and site formation works. We also offered building works and we were the subcontractor of one structural works project in a university in Hong Kong. During the Track Record Period, we were awarded four building works projects. We are registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)), which enable us to directly tender for public works contracts in these works categories with various range of contract sums. Richwell Engineering, Richwell CE and Time Concept are also registered as registered subcontractors under the Subcontractors Registration Scheme of the Construction Industry Council. Our Directors believe that the Listing will facilitate our long term business growth including taking up more large scale civil engineering projects and our short term target is the promotion from Roads and Drainage (Group B (Probation)) to (Group B (Confirmed)) and from Roads and Drainage (Group C (Probation)) to (Group C (Confirmed)). The promotion will not only enable our Group to undertake more projects in the respective groups and category of works and allow our Group to execute more large scale projects as the main contractor, but will also facilitate our subcontractor business. In the future, our Group will continue to undertake both main contractor and subcontractor projects.

The following tables set forth a breakdown of our revenue by types of works, our role as main contractor or subcontractor and by sectors during the Track Record Period:

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Civil engineering works	401,083	100.0	685,551	99.9	477,731	99.1	496,609	93.8	494,960	81.2
Building works	161	0.0	612	0.1	4,512	0.9	33,069	6.2	114,235	18.8
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	390,393	97.3	685,551	99.9	461,753	95.8	480,772	90.8	449,026	73.7
Private sector	10,851	2.7	612	0.1	20,490	4.2	48,906	9.2	160,169	26.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor (Note)	115,054	28.7	143,403	20.9	177,658	36.8	199,082	37.6	199,179	32.7
Subcontractor	286,190	71.3	542,760	79.1	304,585	63.2	330,596	62.4	410,016	67.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

Note: Main contractor includes the projects to which the main contractor is a joint venture of which our Group is one of the joint venture owners.

SUMMARY

During the Track Record Period, we undertook works in an aggregate of 30 civil engineering projects and 4 building works projects. Of these 34 projects, 10 were carried forward prior to the Track Record Period and 6, 1, 3, 9 and 5 project(s) were awarded to our Group for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

We secure our projects mainly from construction main contractors and the Government, after going through a competitive bidding process whereby we either (i) are invited or selected by potential clients to submit quotation or tender; or (ii) submit our bid in response to tender information and invitation published in the Gazette and the websites of various departments of the Government either by ourselves or by forming a consortium or joint venture with other main contractor(s).

As at the Latest Practicable Date, we have 21 civil engineering and 3 building works projects on hand, including projects in progress and projects yet to commence.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by type of works and the business sectors during the Track Record Period:

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Civil engineering works	33,442	8.3	44,216	6.4	54,774	11.5	64,865	13.1	63,595	12.8
Building works	45	27.9	171	27.9	1,260	27.9	3,422	10.3	11,326	9.9
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Public sector	31,871	8.2	44,144	6.4	52,378	11.3	61,683	12.8	50,041	11.1
Private sector	1,616	14.9	243	39.7	3,656	17.8	6,604	13.5	24,880	15.5
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Main contractor (Note)	6,564	5.7	7,280	5.1	12,069	6.8	13,846	7.0	11,568	5.8
Subcontractor	26,923	9.4	37,107	6.8	43,965	14.4	54,441	16.5	63,353	15.5
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

Note: Main contractor includes the projects to which the main contractor is a joint venture of which our Group is one of the joint venture owners.

SUMMARY

Tenders submitted

During the Track Record Period, most of our projects were obtained through the process of public and selective tendering while the remaining projects were secured by quotation invitation. The following table sets out the tender success rates during the Track Record Period and up to the Latest Practicable Date:

	2016	For the year ended 31 March			2020	From
		2017	2018	2019		1 April
						2020 up to
						the Latest
						Practicable
						Date
						(Note 2)
Number of tenders submitted	22	16	27	43	29	17
Number of successful tenders (Note 1)	5	1	3	12	5	3
Success rate (%)	22.7%	6.3%	11.1%	27.9%	17.2%	17.6%

Notes:

1. Successful tender given rise from awarded project falls into the year in which the corresponding tender is submitted.
2. As at the Latest Practicable Date, 18 tenders were still awaiting results from our potential customers.

Project backlog

As at 31 March 2016, 2017, 2018, 2019 and 2020 and the Latest Practicable Date, we had a total of 13, 11, 10, 15, 18 and 24 projects in our backlog (representing projects awarded but not completed at the respective dates), respectively. Set out below are the tables showing the number of our projects in backlog, completed and awarded and the corresponding aggregate value during the Track Record Period and up to the Latest Practicable Date:

	2016	For the year ended 31 March			2020	From
		2017	2018	2019		1 April
	No. of	No. of	No. of	No. of	No. of	2020 to the
	contracts	contracts	contracts	contracts	contracts	Latest
	attributed	attributed	attributed	attributed	attributed	Practicable
						Date
						No. of
						contracts
						attributed
Projects brought forward from prior year	8	13	11	10	15	18
Projects awarded	6	1	3	9	5	6
Projects completed	(1)	(3)	(4)	(4)	(2)	–
Projects carried down to next year	<u>13</u>	<u>11</u>	<u>10</u>	<u>15</u>	<u>18</u>	<u>24</u>

	2016	For the year ended 31 March			2020
		2017	2018	2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening aggregate value of backlog	779,405	1,441,246	991,364	669,806	805,444
Aggregate awarded total contract sum of new contracts awarded	1,063,085	236,281	160,685	665,316	1,278,371
Revenue recognised	<u>(401,244)</u>	<u>(686,163)</u>	<u>(482,243)</u>	<u>(529,678)</u>	<u>(609,195)</u>
Closing aggregate value of backlog	<u>1,441,246</u>	<u>991,364</u>	<u>669,806</u>	<u>805,444</u>	<u>1,474,620</u>

SUMMARY

Notes:

1. Date of award of a contract refers to the date of letter of intent, letter of award or actual commencement date of construction activities, whichever is the earliest. As there is normally a time lapse between letter of intent or letter of award and commencement of construction activities, the closing aggregate value of backlog arrived at in the table above is different from the transaction price allocated to the remaining performance obligations as presented in Note 6 to the Accountants' Report in Appendix I to this prospectus. The difference in amount as at 31 March 2016, 2017 and 2018 was approximately HK\$802,072,000, HK\$160,927,000 and HK\$40,120,000, respectively, represents the timing difference of registering remaining performance obligations of approximately HK\$(558,301,000), HK\$62,867,000 and nil, respectively, and the date of award of the contract and the value of variation orders of approximately HK\$(243,771,000), HK\$(223,794,000), HK\$(40,120,000), respectively, that was across financial periods.
2. The completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
3. The total contract sum equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed by us and the customer up to the Latest Practicable Date. For the projects we operated as one of the joint venture owners, the initial contract sum for these projects was adjusted to reflect the initial amount of works attributed to our Group or in proportion to our Group's interest in the joint venture.
4. From 1 April 2020 to the Latest Practicable Date, our Group was awarded six contracts with aggregate initial contract sum of approximately HK\$660,601,000.

Direct costs

The following table sets out the breakdown of our Group's direct costs during the Track Record Period:

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	125,493	34.1	217,827	33.9	208,312	48.9	249,801	54.1	266,436	49.9
Cost of construction materials	127,898	34.8	269,906	42.1	80,131	18.8	69,253	15.0	101,973	19.1
Direct labour costs	68,194	18.5	86,692	13.5	96,301	22.6	93,248	20.2	114,935	21.5
Machinery leasing expenses	10,600	2.9	26,076	4.1	9,487	2.2	10,456	2.3	14,535	2.7
Equipment leasing expenses	–	–	1,515	0.2	8,251	2.0	8,418	1.8	8,459	1.6
Consultant's cost	4,240	1.2	730	0.1	811	0.2	525	0.1	63	0.0
Other direct costs	31,332	8.5	39,030	6.1	22,916	5.3	29,690	6.5	27,873	5.2
Total	367,757	100.0	641,776	100.0	426,209	100.0	461,391	100.0	534,274	100.0

Our key direct costs in the execution of construction operations are, among others, (i) subcontracting charges; (ii) cost of construction materials; (iii) direct labour costs; and (iv) machinery and equipment leasing expenses. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the aggregate of subcontracting charges, cost of construction materials, direct labour costs and machinery and equipment leasing expenses represented 90.3%, 93.8%, 94.5%, 93.4% and 94.8% of our total direct costs, respectively. For details of our cost structure and the period-to-period comparison of our direct costs during the Track Record Period, please refer to the section headed "Financial Information – Period to period comparison of results of operations" in this prospectus.

Customers

Our customers primarily consist of different Government departments and the main contractors in Hong Kong.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was approximately 40.3%, 43.0%, 36.0%, 36.5% and 31.7%, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 97.7%, 99.9%, 93.1%, 79.0% and 80.6%, respectively.

Our Directors consider that the substantial revenue contribution from our top 5 customers during the Track Record Period would not render our Group being overly dependent on any of our major customers. For details, please refer to the section headed "Business – Customers, sales and marketing – Customer concentration" in this prospectus.

Suppliers

Our suppliers primarily supply the following materials or provide services to us: structural steel, concrete, timber products, PVC panel and metal wares and machinery rental, etc. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects.

SUMMARY

During the Track Record Period, we had contra-charge arrangements with some of our customers which our Directors confirmed that those transactions were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. For details of the contra-charge arrangements, please refer to the section headed “Business – Customers, sales and marketing – Contra-charge arrangement with our customers” in this prospectus.

Subcontractors

Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customer’s contract requirements, we divide our works into different trades and usually subcontract bar bending and fixing formwork works, scaffolding and fabrication of metal structures in a project.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we incurred subcontracting charges of approximately HK\$125,493,000, HK\$217,827,000, HK\$208,312,000, HK\$249,801,000 and HK\$266,436,000, respectively. For details of our subcontracting, please refer to the section headed “Business – Subcontracting arrangements” in this prospectus.

COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths that distinguish our Group and set us apart from our competitors:

- We are long established and have solid experience in undertaking large scale construction projects
- We have an experienced, stable and highly dedicated management team and a team of personnel with good academic background and qualification for project execution
- We emphasise timeliness for completion of projects
- We have long-standing customer relationships

For further details, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

BUSINESS STRATEGIES

Achieving sustainable growth in our business is central to our business objective and in doing so, we plan to adopt the following strategies:

- Undertake more large scale civil engineering projects as the main contractor
- Develop our business further in building construction
- Acquire machinery to enhance our capacity and improve our profitability
- Adhere to prudent financial management to ensure optimal finance costs and capital sufficiency

For further details, please refer to the section headed “Business – Our business strategies” in this prospectus.

MAJOR RISK FACTORS

We believe that there are certain risks involved in our operations, some of the risks are considered to be material, including:

- our business is non-recurring in nature and we are subject to the risks associated with competitive tendering process
- as we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors
- our business operates under various registrations, licences and certifications requirements and the loss of, failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect our business

For further details of the risks we are exposed to, please refer to the section headed “Risk Factors” in this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

Highlights of combined statements of profit or loss and other comprehensive income

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	401,244	686,163	482,243	529,678	609,195
Gross profit	33,487	44,387	56,034	68,287	74,921
Gross profit margin (%)	8.3%	6.5%	11.6%	12.9%	12.3%
Profit from operation	16,381	27,683	37,063	30,647	49,381
Profit and total comprehensive income	12,799	23,402	31,057	23,527	40,449

The increase in revenue during the year ended 31 March 2017 was mainly due to (i) Job 16, which has a contract sum of over HK\$300 million and contributed approximately HK\$266,897,000 for the year; and (ii) Job 5, which contributed approximately HK\$110,333,000 to our revenue. For the year ended 31 March 2018, the decrease in revenue was mainly due to the progress of two projects of significant size, namely Job 5 and Job 16, which together contributed revenue of approximately HK\$62,585,000 for the year ended 31 March 2018, as compared to approximately HK\$377,230,000 for the year ended 31 March 2017. Although revenue decreased, number of projects being executed increased from 17 to 18 and we undertook more main contractor projects and revenue from main contractor projects increased from approximately HK\$143,403,000 for the year ended 31 March 2017 to approximately HK\$177,658,000 for the year ended 31 March 2018, and gross profit for the year ended 31 March 2018 also increased to HK\$56,034,000. Gross profit increased as a result of Job 13, which had higher than average project gross profit margin and we were instructed variations which also had high gross profit margin according to the agreed bill of quantities. For the year ended 31 March 2019, the increase in revenue was mainly due to our involvement in more large-scale projects. There were 16 projects contributed revenue of more than HK\$10 million and three projects contributed revenue between HK\$5 million to HK\$10 million for the year ended 31 March 2019, as compared to 10 projects contributed revenue of more than HK\$10 million and two projects contributed revenue between HK\$5 million to HK\$10 million for the year ended 31 March 2018. For the year ended 31 March 2020, the further increase in revenue was mainly due to substantial amount of works in three large-scale projects were undertaken, namely Job 17, Job 19 and Job 25, each of which contributed revenue of more than HK\$50 million as compared with the year ended 31 March 2019 where only two projects contributed revenue of more than HK\$50 million.

The increase in net profit during the year ended 31 March 2017 was mainly due to the increase in revenue. For the year ended 31 March 2018, the increase in net profit was mainly due to the increase in gross profit margin, despite the decrease in revenue. For the year ended 31 March 2019, the decrease in net profit was mainly due to the increase in listing expenses. For the year ended 31 March 2020, the increase in net profit as compared to the corresponding period in 2019 was mainly due to the increase in revenue and decrease in listing expenses.

For further details, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

Highlights of combined statements of financial position

	As at 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	7,457	6,323	3,974	7,821	14,342
Net current assets	24,210	28,746	68,242	63,842	97,619
Total assets less current liabilities	31,667	35,069	72,216	71,663	111,961
Non-current liabilities	–	–	–	151	–
Net assets	31,667	35,069	72,216	71,512	111,961
Total equity	31,667	35,069	72,216	71,512	111,961

SUMMARY

The increase of net current assets from 31 March 2016 to 31 March 2018 and from 31 March 2019 to 31 March 2020 was a result of our business growth. The decrease of net current assets from 31 March 2018 to 31 March 2019 was mainly due to the declaration of an interim dividend of HK\$28,000,000. The decrease of net assets from 31 March 2018 to 31 March 2019 was mainly due to an interim dividend of HK\$28,000,000, which was partially offset by the business growth during the period.

	As at 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract assets	25,161	42,291	59,909	75,955	72,198
Contract liabilities	43,155	51,749	29,372	15,394	21,808

The contract liabilities were more commonly incurred in main contractor projects than in subcontractor projects. In main contractor projects, it was our general tender strategy to front load the schedule of values in the beginning of the project such that our Group could receive larger amount of payment for the work done at the early stages of a project such that the contract liabilities were generally recorded in the late early stage of the main contractor projects. Generally, the main contractor project had its contract liabilities gradually utilised as it progressed and then had a status of contract assets. Therefore, the main contractor projects' contract liabilities showed a decreasing value throughout the years ended 31 March 2016 to 2019. The contract assets are normally affected by (i) the amount of retention receivables (generally at certain percentage of each progress payment received, subject to a ceiling) in accordance with the number of ongoing and completed contracts under the defect liability period; and (ii) the size and number of contract works that the relevant services were completed but yet to be certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period. For details of our contract assets and contract liabilities, please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items" in this prospectus.

Highlights of combined statements of cash flows

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flow before movements					
in working capital	20,199	32,577	41,007	32,393	53,019
Changes in working capital	1,559	(43,023)	(1,769)	(38,994)	7,962
Interest paid and/or tax paid	(112)	(278)	(761)	(15,575)	(10,208)
Net cash generated from/(used in)					
operating activities	21,646	(10,724)	38,477	(22,176)	50,773
Net cash used in investing activities	(2,924)	(2,595)	(1,104)	(14,917)	(9,179)
Net cash (used in)/generated from					
financing activities	(7,246)	(184)	7,868	5,466	(19,873)
Net increase/(decrease) in cash and					
cash equivalents	11,476	(13,503)	45,241	(31,627)	21,721
Cash and cash equivalents at the					
beginning of year	15,317	26,793	13,290	58,531	26,904
Cash and cash equivalents at the end of					
year	26,793	13,290	58,531	26,904	48,625

We recorded net cash outflow from operating activities of approximately HK\$10,724,000 for the year ended 31 March 2017, mainly due to (i) increase in trade receivables of approximately HK\$36,163,000; and (ii) increase in contract assets of approximately HK\$17,130,000. The net cash outflow from operating activities of approximately HK\$22,176,000 for the year ended 31 March 2019, mainly due to (i) increase in trade receivables of approximately HK\$35,660,000; and (ii) increase in contract assets of approximately HK\$16,046,000. For details of our cash flows, please refer to the section headed "Financial Information – Liquidity, financial resources and capital structure – Cash flows" in this prospectus.

SUMMARY

Summary of financial ratios

	As at/For the year ended 31 March				
	2016	2017	2018	2019	2020
Current ratio ⁽¹⁾	1.3	1.2	1.6	1.4	1.7
Quick ratio ⁽²⁾	1.3	1.2	1.6	1.4	1.7
Gearing ratio ⁽³⁾	0.3%	0.3%	0.2%	29.3%	20.6%
Debt to equity ratio ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A
Return on equity ⁽⁵⁾	40.4%	66.7%	43.0%	32.9%	36.1%
Return on total assets ⁽⁶⁾	10.3%	13.8%	17.5%	10.7%	16.3%
Interest coverage ⁽⁷⁾	443.7 times	5,537.6 times	2,471.9 times	132.0 times	76.0 times

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases and borrowings) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases and borrowings) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity is profit for the year divided by total equity and multiplied by 100%.
6. Return on total assets is profit for the year divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

Gearing ratio

During the Track Record Period, as we did not place material reliance on borrowings to finance our operations, we have recorded relatively low gearing ratio of approximately 0.3%, 0.3%, 0.2%, 29.3% and 20.6% as at 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The increase in gearing ratio from 31 March 2018 to 31 March 2019 was mainly due to the new bank loan of approximately HK\$13,434,000 and bank overdrafts of approximately HK\$7,121,000 during the year. Our gearing ratio decreased to approximately 20.6% as at 31 March 2020, which was mainly due to the increase in total equity resulted from our business growth during the year.

Return on equity

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our return on equity was approximately 40.4%, 66.7%, 43.0%, 32.9% and 36.1%, respectively. The increase in our return on equity during the year ended 31 March 2017 was mainly attributable to the increase in net profit which was mainly resulted from the increase in revenue. During the year ended 31 March 2018, the decrease in our Group's return on equity was mainly due to the increase in the total equity resulting from the profit generated throughout the period. For the year ended 31 March 2019, our return on equity further decreased to approximately 32.9%, mainly due to the decrease in profit for the period resulting from the listing expenses of approximately HK\$17,941,000 incurred for the period. For the year ended 31 March 2020, our return on equity increased to approximately 36.1%, mainly due to increase in net profit resulting from increase in revenue and the decrease in the listing expenses for the year.

Return on total assets

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our return on total assets was approximately 10.3%, 13.8%, 17.5%, 10.7% and 16.3%, respectively. The increase in our return on equity during the year ended 31 March 2017 was mainly attributable to the increase in net profit which mainly resulted from the increase in revenue. During the year ended 31 March 2018, our Group's return on total assets remained relatively stable at approximately 17.5%. For the year ended 31 March 2019, our return on total assets decreased to approximately 10.7%, mainly due to the increase in total assets resulting from profits of prior years and the decrease in profit for the year resulting from the listing expenses of approximately HK\$17,941,000 incurred for the year. For the year ended 31 March 2020, our return on total assets increased to approximately 16.3%, mainly due to the increase in net profit resulting from increase in revenue and decrease in the listing expenses for the year.

SUMMARY

Interest coverage

During the Track Record Period, as we generally financed our operations through our cash generated from operating activities, we did not incur significant finance costs and recorded relatively high interest coverage ratio of approximately 443.7 times, 5,537.6 times, 2,471.9 times, 132.0 times and 76.0 times for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. For the year ended 31 March 2019, the decrease in interest coverage was mainly due to the increase in finance costs resulting from the interest in the new bank borrowings and the decrease in the profit for the period resulting from the listing expenses of approximately HK\$17,941,000 incurred for the period. For the year ended 31 March 2020, our interest coverage was further decreased to approximately 76.0 times, mainly due to the increase in interest payment for the new bank borrowings.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), New Brilliance will own 75% of our issued share capital. New Brilliance is wholly-owned by Mr. KK Tsui. For the purpose of the Listing Rules, Mr. KK Tsui and New Brilliance (an investment holding company wholly-owned by Mr. KK Tsui) are the Controlling Shareholders.

CONNECTED TRANSACTIONS

On 30 June 2019 and 1 June 2020, Richwell Engineering entered into two written tenancy agreements with Fame Most, pursuant to which Richwell Engineering agreed to rent the premises from Fame Most, the registered owner. The transaction contemplated thereunder will be fully exempted from shareholders' approval, annual review and all disclosure requirements by virtue of Rule 14A.76(1)(c) of the Listing Rules. For details, please refer to the section headed "Connected Transactions" in this prospectus.

MARKET POSITION

According to the Ipsos Report, the civil engineering works industry in Hong Kong is relatively concentrated, with the top 5 players accounting for approximately 37.3% of the total industry revenue in 2019. Our Group accounted for approximately 1.0% of the total market share of the civil engineering works industry in Hong Kong for 2019 in terms of revenue.

For details of the competitive landscape civil engineering works industry and the positioning of our Group, please refer to the section headed "Industry Overview" in this prospectus.

OFFER STATISTICS

Market capitalisation at Listing ^(Note 1)	HK\$520 million to HK\$544 million
Offer Size	25% of the enlarged issued share capital of our Company
Offer Price per Offer Share	HK\$0.325 to HK\$0.34
Number of Offer Shares	400,000,000 Shares, comprising 320,000,000 new Shares and 80,000,000 Sale Shares
Number of Public Offer Shares	40,000,000 Shares (subject to reallocation)
Number of Placing Shares	360,000,000 Shares, comprising 280,000,000 new Shares and 80,000,000 Sale Shares (subject to reallocation)
Board lot	8,000 Shares
Unaudited pro forma adjusted net tangible assets per Share ^(Notes 2 and 3)	HK\$0.12 based on an Offer Price of HK\$0.325 per Offer Share and HK\$0.12 based on an Offer Price of HK\$0.34 per Offer Share

SUMMARY

Notes:

1. The calculation of the market capitalisation of the Shares at Listing is based on 1,600,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “Unaudited Pro Forma Financial Information – Unaudited pro forma statement of adjusted combined net tangible assets” in Appendix II to this prospectus on the basis of 1,600,000,000 Shares in issue at the respective Offer Price of HK\$0.325 to HK\$0.34 per Offer Share immediately following completion of the Share Offer.
3. The unaudited pro forma adjusted net tangible assets per Share of our Group does not take into account of the dividend of HK\$18,000,000 declared on 31 May 2020. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets of our Group per Share would decrease to approximately HK\$0.11 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$0.11 assuming an Offer Price of HK\$0.34 per Share.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.3325 per Offer Share (being the mid-point of the Offer Price range of HK\$0.325 to HK\$0.34 per Offer Share), will be approximately HK\$60.9 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Share Offer.

We intend to apply the net proceeds from the Share Offer within 18 months from the Listing Date for the following purposes:

- approximately 40.1%, or HK\$24.4 million, will be used to finance three existing main contractor projects;
- approximately 31.0% or HK\$18.9 million, will be used to acquire machinery and equipment to upgrade and enlarge our fleet of machinery, as well as to facilitate our current operations;
- approximately 19.7%, or HK\$12.0 million, will be applied for forming a new project management team and strengthening manpower for our headquarters;
- approximately 4.1% or HK\$2.5 million, will be used to upgrade our enterprise information system;
- approximately 1.6%, or HK\$1.0 million to enhance innovation and productivity; and
- approximately 3.5%, or HK\$2.1 million, will be applied for the general working capital of our Group.

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Our Directors consider that the Listing will benefit our Group in different levels, details of which are set out in the section headed “Future Plans and Use of Proceeds – Reasons for the Listing” in this prospectus.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming the Offer Price of HK\$0.3325 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$48,171,000. The Vendor will bear the listing expenses of approximately HK\$2,660,000 relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$45,511,000, representing approximately 42.8% of the gross proceeds from the Listing. Of such amount to be borne by us, approximately HK\$17,498,000 is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$28,013,000, which cannot be so deducted, will be charged to the combined statements of profit or loss. Of approximately HK\$28,013,000 that will be charged to the combined statements of profit or loss, approximately HK\$17,941,000 and HK\$3,613,000 have been charged for the years ended 31 March 2019 and 2020, respectively, and approximately HK\$6,459,000 is expected to be incurred after the Track Record Period. Expenses in relation to the Listing are non-recurring in nature. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

SUMMARY

DIVIDEND

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, members of our Group declared dividends amounting to HK\$10,000,000, HK\$20,000,000, nil, HK\$28,000,000 and nil, respectively, to their then shareholders, respectively. As at the Latest Practicable Date, the dividends were either settled by cash or set off against the amount due from director. On 31 May 2020, members of our Group further declared interim dividends in the sum of HK\$18,000,000 to their then shareholders and the interim dividends have been settled by cash. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets per Share of our Group would decrease to approximately HK\$0.11 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$0.11 assuming an Offer Price of HK\$0.34 per Share. For details of the unaudited pro forma adjusted net tangible assets per Share of our Group, please refer to the paragraph headed “Unaudited Pro Forma Financial Information – Unaudited pro forma statement of adjusted combined net tangible assets” in Appendix II to this prospectus. Our Directors consider there to be no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payments as our Group will continue to maintain net current assets and net assets position after such payments of dividends.

We do not have a predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group’s future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders’ approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

RECENT DEVELOPMENTS AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking civil engineering projects and building works projects in Hong Kong. New projects are being undertaken by us and as at the Latest Practicable Date, we had 21 civil engineering projects and 3 building works projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$3,252,877,000 of which approximately HK\$1,120,386,000 have been recognised as revenue during the Track Record Period. Based only on our contracts on hand, outstanding contract sum was approximately HK\$2,132,491,000 and approximately HK\$453,280,000 and HK\$1,679,211,000 is expected to be recognised as revenue for the year ending 31 March 2021 and after the year ending 31 March 2021, respectively. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Following the Track Record Period, we have been continuously approached by customers for submitting tenders and quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business.

Since January 2020, the outbreak of COVID-19 in Hong Kong has resulted in a slight impact to the construction industry, while our operation was also slightly affected by the reduction in face-to-face business activities and meetings and works progress of our projects. Our Directors consider that it will be difficult to estimate the overall impact of the outbreak of COVID-19 on our results of operations for the year ending 31 March 2021 as the situation, new Government policies and different subsidy schemes such as the Anti-epidemic Fund remained uncertain. Our Directors confirm that, as at the Latest Practicable Date, our Group has not encountered or experienced any material difficulty and/or delay in completion of our projects to our customers and from our subcontractors and any material supply chain disruptions of our suppliers due to the outbreak of COVID-19. According to our unaudited combined management accounts, our revenue decreased by approximately HK\$28,351,000, or 17.6%, from approximately HK\$161,483,000 for the three months ended 31 March 2019 to approximately HK\$133,132,000 for the three months ended 31 March 2020. Our revenue decreased by approximately HK\$14,210,000, or 12.8%, from approximately HK\$111,360,000 for the three months ended 30 June 2019 to approximately HK\$97,150,000 for the three months ended 30 June 2020. From 1 January 2020 to 31 March 2020, our Group was not awarded with any contract as compared with the corresponding period in 2019 when our Group was awarded with one

SUMMARY

contract with an initial contract sum of approximately HK\$277,301,000. From 1 April 2020 to 31 August 2020, our Group was awarded with six contracts with an aggregate initial contract sum of approximately HK\$660,601,000 as compared with the corresponding period in 2019 when our Group was awarded with three contracts with an aggregate initial contract sum of approximately HK\$358,386,000. Therefore, our Directors are of the view that the overall impact caused by the outbreak of COVID-19 on our business, results of operations and/or financial performance will not be significant. Also, our Directors consider that there were no quantified amounts on potential economic losses as at the Latest Practicable Date. However, if the outbreak of COVID-19 persists in long term, our business, results of operation, financial performance and future prospects may be significantly and adversely affected.

If the COVID-19 pandemic continues, our Directors already have the contingency plans to minimise the impact on our business operation:

- (i) to discuss and prepare the contingency plans with our main contractors or the engineer's representatives during the planning stage of our projects. The contingency plans would generally include, but are not limited to, contacting 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;
- (ii) to avoid shortage in supply of construction materials due to temporary closure of our suppliers' production facilities, transportation restrictions or any disruption of the supply chain of construction materials, we would obtain more quotations from different suppliers and retain the quotations of the other suppliers for back-up purpose. As at the Latest Practicable Date, we have more than 440 suppliers on our list of approved suppliers. Our Directors are of the view that our business operation does not rely on any single supplier; and
- (iii) to avoid shortage in labour supply, we would obtain more quotations from different subcontractors and retain the quotations of the other subcontractors for back-up purposes. During the Track Record Period, we have more than 220 subcontractors. Given our Group had 288 on site labour as at the Latest Practicable Date, our Directors are of the view that our business operation does not rely on any single subcontractor.

Having considered the abovementioned 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 significant additional costs and thus have no significant impact on our financial performance.

Our Directors also confirm that our Group has not experienced any incidents of our employees/workers failing to report duty due to infection of COVID-19 up to the Latest Practicable Date. As such, our Directors are of the view that the current outbreak of the COVID-19 did not have any material impact on our Group.

In response to the outbreak of COVID-19 in Hong Kong, we have implemented the following measures:

- monitoring the stock of personal protection equipment (including but not limited to surgical masks and hand sanitiser) for our staff and workers;
- requiring our staff and workers to wear surgical masks;
- implementing mandatory body temperature check before entering into office and our construction sites. Those who have fever or respiratory symptoms shall be refrained from working and required to seek medical advice promptly;
- implementing mandatory travel reporting and requiring a 14-day self-quarantine for those who returned from area outside Hong Kong; and
- providing health education materials on the prevention of COVID-19 for our staff and workers.

Our Group will also closely monitor the projects' progress and communicate with our suppliers and subcontractors, maintain close communication with our customers and the other representatives of the project owners on the latest project works schedules and arrangements, proactively follow up with our potential customers on the tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain our market competitiveness.

SUMMARY

In the worst case scenario, if all construction project works have to be suspended due to the outbreak of COVID-19, our Group will not generate revenue and incur any significant cash outflow due to direct costs as these direct costs are only incurred during the course of performing our construction services. In order to maintain basic operation of our Group, our Directors expected that minimal administrative and operating expenses will be incurred during the suspension period. Taking into account (i) our available financial resources, including cash and cash equivalents of approximately HK\$47.9 million and unutilised banking facilities of approximately HK\$15.8 million available as at the 30 June 2020; (ii) the 3.5% of net proceeds from the Share Offer of approximately HK\$2.1 million (based on the Offer Price of HK\$0.3325 per Offer Share, being mid-point of the Offer Price range) allocated as our general working capital; and (iii) the subsidies received by our Group under the Anti-epidemic Fund launched by the Government amounted to approximately HK\$7.3 million and our Group expected to further receive approximately HK\$7.3 million under the Anti-epidemic Fund; meanwhile, in the worst case scenario and based on the assumptions that (i) all outstanding payables are paid as and when they fall due; (ii) all outstanding receivables are received based on historical settlement pattern; (iii) all outstanding contract assets recovered based on historical settlement pattern; (iv) all outstanding contract liabilities are settled when they fall due; and (v) we would only use any immediately available cash and banking facilities, our Directors are of the view that our Group will remain financially viable for at least 26 months from July 2020.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 31 March 2020 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at 31 March 2020, our Company had no distributable reserves available for distribution to equity holders.

MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the Listing expenses on the profit or loss accounts; and (ii) our Group's legal and professional fee and staff costs are expected to increase after the Listing which has posted or will post a material adverse change in the financial or trading position or prospect of our Group since 31 March 2020. Prospective investors should be aware of the above impacts on the financial performance of our Group for the year ending 31 March 2021.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 31 March 2020 (being the date of which our Group's latest audited combined financial statements were made up) and there had been no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in a number of claims and litigations in relation to work injuries, details of which are set out in the section headed "Business – Litigation and potential claims" in this prospectus.

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group experienced certain incidents of non-compliance with the Inland Revenue Ordinance, for details, please refer to the section headed "Business – Legal and regulatory compliance" in this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, adopted on 21 September 2020 and which will become effective upon the Listing and as amended from time to time, a summary of which is contained in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“Build King Group”	Build King Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 240)) and its subsidiaries, a group of companies that is engaged in construction, civil engineering and building works in Hong Kong and one of our major customers and suppliers during the Track Record Period
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 1,279,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company refer to the paragraph headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 September 2020” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or 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, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board
“Chief Executive Officer”	chief executive officer of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Landrich Holding Limited (譽樂豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 31 July 2018, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 September 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus refers to New Brilliance and Mr. KK Tsui
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“COVID-19”	a novel coronavirus epidemic, the outbreak of which was first identified in December 2019

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 21 September 2020 given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), under which the Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the paragraph headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a non-competition deed dated 21 September 2020 regarding undertakings given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertakings” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“extreme conditions”	extreme conditions caused by a super typhoon as announced by the Government
“Frontpage Capital” or “Sponsor”	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and sponsor for the Listing, and an Independent Third Party
“Government”	the Government of Hong Kong
“Group”, “our Group”, “we”, “our”, “us” or “Group Company”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or some or any of them
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“IC Consultant”	Sam K. M. Ng CPA Limited, an independent internal control consultant

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Asia Limited, a professional market research company and an Independent Third Party
“Ipsos Report”	the industry report prepared by Ipsos on the market and competitive landscape of civil engineering works industry with focus on roads and drainage and site formation works industries in Hong Kong, the extract of which is disclosed in this prospectus
“Joint Bookrunners”	Seazen Resources Securities Limited and DL Securities (HK) Limited, being the joint bookrunners of the Share Offer
“Joint Lead Managers”	Seazen Resources Securities Limited, Solomon Asset Management (Hong Kong) Limited and Yuzhou Financial Holdings Limited, being the joint lead managers of the Share Offer
“Latest Practicable Date”	20 September 2020, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Lion Brave”	Lion Brave Group Limited, a company incorporated in the BVI with limited liability on 20 April 2018 and shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation, and it is an investment holding company
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 20 October 2020, on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lofty Wisdom”	Lofty Wisdom Holdings Limited (遠志控股有限公司), a company incorporated in the BVI with limited liability on 23 April 2018 and shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation, and it is an investment holding company
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company conditionally adopted on 21 September 2020, which will become effective upon the Listing, and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Mr. KK Tsui”	Mr. Tsui Kai Kwong (徐繼光), our Chairman, an executive Director, a Controlling Shareholder, the father of Mr. Ian Tsui and Ms. Janis Tsui and the uncle of Mr. Tsui Ying Yin
“Mr. Ian Tsui”	Mr. Tsui Tsz Yeung Ian (徐子揚), our Chief Executive Officer, an executive Director, the son of Mr. KK Tsui, the brother of Ms. Janis Tsui and the cousin of Mr. Tsui Ying Yin
“Ms. Janis Tsui”	Ms. Tsui Wai Yeung Janis (徐慧揚), an executive Director, the daughter of Mr. KK Tsui, the sister of Mr. Ian Tsui and the cousin of Mr. Tsui Ying Yin
“Ms. Wong”	Ms. Wong Cheuk Mui (黃焯玫), the spouse of Mr. KK Tsui, the mother of Mr. Ian Tsui and Ms. Janis Tsui and the aunt of Mr. Tsui Ying Yin
“New Brilliance”	New Brilliance Enterprises Limited, a company incorporated in the BVI with limited liability on 2 January 2018, wholly-owned by Mr. KK Tsui
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the offer price to selected professional, institutional and private investors, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 280,000,000 new Shares and 80,000,000 Sale Shares initially offered by our Company and the Vendor, respectively, for subscription and/or purchase at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

DEFINITIONS

“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into on or around Monday, 12 October 2020 by, among others, the Controlling Shareholders, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters, our executive Directors and our Company, particulars of which are summarised in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China, except where the context requires otherwise, and for the purpose of this prospectus only geographical references in this prospectus to the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	the date, expected to be on or around 12 October 2020, on which the Price Determination Agreement is entered into but in any event no later than 14 October 2020
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 40,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, who have entered into the Public Offer Underwriting Agreement to underwrite the Public Offer Shares
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 September 2020 relating to the Public Offer and entered into by, among others, the Controlling Shareholders, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters, our executive Directors and our Company, particulars of which have summarised in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Regulation S”	the Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangement undergone by our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of the Shares, further information is set forth in the paragraph headed “Statutory and General Information – A. Further Information about our Company – 6. Repurchase of our shares by our Company” in Appendix IV to this prospectus
“Richwell CE”	Richwell Civil Engineering Limited (顯豐土木工程有限公司), a company incorporated in Hong Kong with limited liability on 14 July 2009 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Richwell Engineering”	Richwell Engineering Limited (顯豐工程有限公司), a company incorporated in Hong Kong with limited liability on 20 May 1993 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Sale Shares”	the 80,000,000 Offer Shares offered by the Vendor at the Offer price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sheen Cedar”	Sheen Cedar Investments Limited (耀柏投資有限公司), a company incorporated in the BVI with limited liability on 23 April 2018 and shall be a direct wholly-owned subsidiary of our Company after completion of the Reorganisation, and it is an investment holding company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, modified and supplemented from time to time
“Time Concept”	Time Concept Construction Limited (時創建設工程有限公司), a company incorporated in Hong Kong with limited liability on 23 October 2014 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Track Record Period”	comprises the financial years ended 31 March 2016, 2017, 2018, 2019 and 2020
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“Vendor”	New Brilliance, our existing Shareholder who is expected to offer to sell the Sale Shares under the Placing, particulars of which are set out in the section headed “Statutory and General Information – E. Other information – 12. Particulars of the Vendor” in Appendix IV to this prospectus
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“A\$” or “Australian dollars”	Australian dollars, the lawful currency of Australia
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“m”	metre
“m ² ” or “sq. m.”	square metre
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

DEFINITIONS

In this prospectus, unless otherwise specified:

- All dates and times refer to Hong Kong dates and time, unless otherwise stated or the context otherwise requires.
- Amounts dominated in US\$ have been translated, for the purpose of illustration only, into HK\$, and vice versa, in this prospectus at the rates of US\$1.00 to HK\$7.80. No representation is made that any amount in HK\$ or US\$ can be or could have been at the relevant date converted at the above rates or any other rates on at all.
- Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments.
- Any discrepancy in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“Approved Contractors List”	the List of Approved Contractors for Public Works as kept by the Development Bureau
“Authorized Person”	a person whose name is on the authorized persons’ register kept under section 3(1) of the Buildings Ordinance
“bill of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with the document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenders; and (b) to provide a means of valuing the work executed when the contract has been entered into
“Building Authority”	the Director of Buildings
“Buildings Department”	the Buildings Department, a department of the Government
“CAGR”	compound annual growth rate
“CEDD”	Civil Engineering and Development Department, a department of the Government, or where the context refers to any time prior to its establishment, the relevant preceding government department which undertook such public function
“Contractor Management Handbook”	the Contractor Management Handbook published by the Development Bureau (as revised from time to time) to consolidate and update the existing guidelines and procedures to administrate and monitor the performance of, among others, contractors on the Approved Contractors List
“Development Bureau”	the Development Bureau of the Government
“ELS”	excavation and lateral support system, the retaining wall, which is in general temporary, to support the cut surface of the ground where excavation of substantial depth is to be carried out
“EPD”	the Environmental Protection Department, a department of the Government
“foundation”	that part of a building, building works, structure or street in direct contact with and transmitting loads to the ground

GLOSSARY OF TECHNICAL TERMS

“Green Card(s)”	Construction Safety Training Certificate issued or caused to be issued by the Commissioner for Labour proving the workers’ Enrolment of occupational health and safety training courses recognised by the Labour Department. When issued, it is valid for a period from one year to three years
“Highways Department”	the Highways Department, a department of the Government
“IRD”	the Inland Revenue Department, a department of the Government
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001: 2015”	ISO 14001: 2015 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“ISO 9001: 2015”	ISO 9001: 2015 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“Labour Department”	the Labour Department, a department of the Government
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
“standard methods of measurement”	the standard methods of measurement, standard for preparing bills of quantities
“Subcontractor Registration Scheme”	the Registered Specialist Trade Contractors Scheme, a registration scheme comprising two registers, namely, the Register of Specialist Trade Contractors and the Register of Subcontractors (or if prior to April 2019, the List of Registered Subcontractor), established and managed by the Construction Industry Council
“Ten Major Infrastructure Projects”	Ten Major Infrastructure Projects announced in the 2007-08 Policy Address issued by the Chief Executive of Hong Kong including the South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Line and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend policy;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;
- fluctuation in the prices of raw materials and our Group’s ability to pass-through any increases in price to customers;
- our Group’s ability to protect our Group’s intellectual property rights;
- our Group’s ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group’s ability to compete under these actions and developments;

FORWARD-LOOKING STATEMENTS

- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control including but not limited to any outbreak of highly contagious disease, such as COVID-19.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or 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 in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospect of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS

Our business is non-recurring in nature and we are subject to the risks associated with competitive tendering process

Our construction projects are non-recurring. We do not have long-term commitments with our customers and it is probable that our major customers vary from year to year. Furthermore, the majority of our projects were awarded through a process of competitive bidding whereby we submit tender or quotation to our potential customers or the Government departments for evaluation. We were awarded 6, 1, 3, 9 and 5 contract(s) for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our success rate in tendering contracts was approximately 22.7%, 6.3%, 11.1%, 27.9% and 17.2% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively, details of which are set out in the section headed "Business – Operation process – Tenders submitted" in this prospectus. Our Directors believe that irrespective of the market condition, competition in tendering for construction works is inevitable and can be fierce. Our ability to secure contracts out of our tenders or submitted quotations is critical to our success and sustained business growth. There is no guarantee that we will be able to achieve our past or any higher success rates in tendering contracts after the Listing or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

As we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors

As common in the construction industry, we engage subcontractors to undertake some of our project works. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, subcontracting charges incurred by us amounted to approximately HK\$125,493,000, HK\$217,827,000, HK\$208,312,000, HK\$249,801,000 and HK\$266,436,000, respectively. Subcontracting may expose us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. Even though we subcontract our works to subcontractors, we are ultimately responsible to our customers for the works completed by our subcontractors. As a result, if our subcontractors are not properly supervised, we may experience deterioration in the quality or delivery of our works and incur additional costs due to managing and supervising subcontractors' performance, and remedying the delays, defects or sub-standard materials, equipment, or services caused by the subcontractors. Such events could impact on our profitability, financial performance and reputation, or result in litigation or damage claims.

RISK FACTORS

If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries or death or damage to properties. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position may be adversely affected.

For Government projects, any of our subcontractor's poor performance in work progress and/or failure to comply with quality, safety and/or environmental requirements will also affect adversely the scoring of our performance rating kept by the Government and thereby, decreasing our tender score in our submitted tenders for public works contracts. In the worst case, the non-performance of our subcontractor can lead us to removal, suspension, downgrading or demotion from the Approved Contractors List.

Our Group determines our price based on the estimated time and costs involved, and the actual time and costs incurred may exceed our estimations due to unexpected circumstances, thereby adversely affect our operations and financial results

Under normal circumstances, we determine our price by first determining the work programme and method statements and then work out the time and/or resources required. Once the information becomes available, we can estimate the cost of the project. The actual time and costs involved in completing our construction projects may be adversely affected by a number of uncontrollable factors, including shortage and cost escalation in materials and direct labour, difficult geological conditions, delays due to inefficiency, errors, defects or adverse weather conditions, disputes with our subcontractors, change in design by the employers of our customers, work site accidents and changes in Government policy. Further, the actual site conditions may be different from that were assumed in our work programme and method statements. These factors can give rise to unexpected cost overruns, and in cases where extension of time is not granted, delay in completion may result in liquidated damage, which is usually calculated by the number of days delayed times an agreed fixed amount per day. These events will in turn diminish the mark-up margin or lead to an overall loss for a project. There is no assurance that the actual time and costs would not exceed our estimation during project implementation.

In particular, labour costs, costs of construction materials and subcontracting charges are the major cost components for our construction works. According to the Ipsos Report, average wage of construction workers grew at a CAGR of 4.4% between 2013 and 2019, from HK\$1,067.5 per day in 2013 to HK\$1,382.6 per day in 2019, and some major construction materials, such as bitumen, its average wholesale price first decreased by 35.4% from HK\$8,741.1 per tonne in 2013 to HK\$5,645.8 per tonne in 2016, then increased by 36.7% to HK\$7,719.5 per tonne in 2019. Please refer to the section headed "Industry Overview – Competitive landscape of the civil engineering works industry in Hong Kong" in this prospectus for details. If there is any unexpected significant increase in labour costs, subcontracting charges and costs of construction materials, there is no assurance that we will be able to shift the increase in cost to our customers as not all contracts with our customers contain a price fluctuation adjustment clause. Such cost overruns with our initial estimate may cause our profitability to be lower than what we expected. The fluctuation in direct costs may also cause our estimated budget for a project to be inaccurate and hence increase the difficulty for financial management.

RISK FACTORS

Our business operates under various registrations, licences and certifications requirements and the loss of or failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect our business

Our business is subject to various laws and regulations of Hong Kong and our Group may be required to obtain or maintain certain registrations, licences and/or certifications to operate our business.

For public works contracts, Government departments normally only invite contractors who are on the Approved Contractors List or the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Works Branch of the Development Bureau to submit tenders. For works in the private sector, a contractor must register with the Buildings Department either as a general building contractor or as specialist contractor for the respective category of work it intends to carry on. Although approvals by the Works Branch of the Development Bureau are not subject to renewal, Government authorities may, under certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor, such as suspension from further tendering within a certain period of time, downgrading to probationary status, or demotion to a lower group in respect of all or any category of works, if the performance including safety performance or tendering record of the contractor, is found to be unsatisfactory. As at the Latest Practicable Date, we are registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)).

All registrations, licences and/or certifications are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant Government departments or organisations. Such criteria may include the maintenance of certain financial criteria including our working capital level, and employment of specific professional/technical staff members with the required professional qualifications and/or working experience. These registrations, licences and/or certifications may only be valid for a limited period of time and may be subject to periodic reviews and renewals by Government authorities and relevant organisations. In addition, the standards of compliance may from time to time be subject to changes without prior notice.

We cannot provide any assurance that all of these required registrations, licenses and/or certifications can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the Government authorities in relation to the construction industry may result in our failure to obtain/renew or maintain such relevant registration, licences and/or certifications. In such circumstances, we may be required to suspend our operations, which would have a material adverse effect on our business and results of operations.

It is not uncommon in our industry for accidents to occur causing injury to our or our subcontractors' employees. Our financial performance and business prospect may be adversely affected by such injury claims and litigations

It is not uncommon in the construction industry for accidents to occur causing injury to our or our subcontractors' employees, which may subsequently give rise to the corresponding employees' compensation claims and/or common law personal injury claims as well as criminal prosecution by the Labour Department. We may be in disputes with the injured persons in respect of our liabilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the accident occurred during his/her employment with us, subcontractors or sub-subcontractors. We may face criminal proceedings for breach of relevant safety and health legislations under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) after industrial injuries occur. Please refer to the paragraphs headed "Business – Occupational health and safety" and "Business – Litigation and potential claims" in this prospectus for further information of accidents that occurred during the Track Record Period and up to the Latest Practicable Date.

RISK FACTORS

Occurrence of accidents may affect our tender for public works contracts

Poor site safety performance will also affect our opportunity to successfully tender for public works contracts. The Government normally adopts a “formula approach” for ordinary works contracts unless the works contracts are of high value, complex in nature and require a high level of coordination. According to the Tender Evaluation Methods for Works Contracts issued by the Development Bureau, the formula approach to tender evaluation takes into account not only the tender price, but also the contractor’s past performance under public works contracts, which includes a performance rating and safety rating. If industrial accidents occur at our work sites which are either caused by us or our subcontractors, in addition to the potential claims and disputes as described above, our safety rating calculated by the relevant Government department may be adversely affected, which may in turn lower our overall tender score. In such event, we may need to lower our tender price to maintain the same tender score to accommodate the effect of the occurrence of the accidents. Accordingly, our profitability and results of operation may be adversely affected. In the worst case, the poor safety record may result in removal, suspension, downgrading or demotion from the Development Bureau’s List of Approved Contractors for Public Works.

Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our executive Directors and senior management are important to us in particular in areas such as, tender preparation, construction project management, customer relationship management, as well as satisfying the licensing requirements. We rely on the management and leadership of Mr. KK Tsui, who is our Chairman and executive Director, and Mr. Ian Tsui, who is our executive Director and Chief Executive Officer. Mr. KK Tsui who founded our Group in July 1993, has over 40 years of experience in the construction industry and he is responsible for the overall strategic management and development of our Group’s business operations. Mr. Ian Tsui has joined our Group since October 2007 and has been responsible for our Group’s operation, business development, human resources, finance and administration. In addition, we also rely on our Group’s senior management in our daily operations. Details of the expertise and experience of our executive Directors and senior management are set out in the section headed “Directors, Senior Management and Staff” in this prospectus.

There is no assurance that our Group can retain the continuous services of our executive Directors and other members of senior management. If we cannot retain their continuous services in the management of our Group and we are not able to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of our Group.

There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause our Group to incur additional cost or result in potential claims

Certain works we engage in involve underground operations, for example, the excavation works in association with our construction works. Before excavation, we conduct ground investigation or rely on ground investigation reports available to us to understand the underground conditions. However, the details uncovered by these reports may not be sufficient to reveal the actual or precise geology beneath our construction sites due to limitations in the scope of the underground investigation works that can be carried out at the site or other technical limitations. Underground investigation works usually involve sampling and field testing. In the course of conducting underground investigation, certain parameters such as the number and deposition of boreholes and trial pits, the depth of ground investigation, as well as the use of empirical data, requires the use of judgment and estimates in the process of applying investigation technique.

RISK FACTORS

Although underground investigation is conducted in accordance with relevant standardised practice and method, codes or regulations of the industry, discrepancies can nevertheless appear between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any loss of water or soil erosion subsequent to the ground investigation, antiquities, monuments or structures beneath the site, artificial underground obstruction, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, methane gas leakage during construction, collapse of temporary structure and land subsidence, which may not have been anticipated at the preliminary stage. All of these may eventually become issues and/or difficulties that need to be overcome, thereby exposing our Group to uncertainties in the course of implementation of our projects. Unexpected ground conditions or sudden changes in water table may cause difficulty to our underground operations, damage our completed works or even pose hazards to underground work site and affect our work progress and thus leading to higher expenses.

Our Directors confirm that we had not experienced any case which our revenue was materially reduced for the aforesaid reasons during the Track Record Period. However, our Group may incur additional costs in dealing with these unforeseen conditions and we will have to bear such increase in expenses ourselves, in particular, in fixed lump sum contracts without price adjustment mechanism in this regard and our profitability may be adversely affected. It may also cause a delay in completion of the projects, resulting in potential claims for liquidated damages from our customers.

During the Track Record Period, our Group experienced an increase in trade receivables and trade receivables turnover days and any delays and/or defaults of progress payments and/or release of retention monies by our customers may expose our Group to considerable credit risk

As at 31 March 2016, 2017 and 2018, our Group recorded trade receivables of approximately HK\$29,188,000, HK\$64,276,000 and HK\$47,591,000, respectively, of which approximately HK\$10,406,000, HK\$32,717,000 and HK\$27,665,000 had been past due but not impaired. As at 31 March 2019 and 2020, our Group's trade receivables were approximately HK\$82,972,000 and HK\$72,405,000, respectively. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the trade receivables' turnover days were approximately 25.8 days, 24.9 days, 42.3 days, 45.0 days and 46.5 days. For details of the fluctuations in our trade receivables and trade receivables' turnover days, please refer to the paragraph headed "Financial Information – Discussion of certain combined statements of financial position items – Trade and other receivables" of this prospectus.

Trade receivables inherently pose credit risks to our Group, in particular, a high amount or high concentration of trade receivables to a few customers may expose our Group to higher risks of collecting trade receivables in full or on time. As at 31 March 2016, 2017 and 2018, the largest balance of trade receivables due from one single customer amounted to approximately HK\$12,544,000, HK\$18,376,000 and HK\$22,632,000, respectively, representing 42.9%, 28.5% and 47.6% of total trade receivables. As at 31 March 2019 and 2020, the largest balance of trade receivables before loss allowance due from one single customer amounted to approximately HK\$13,588,000 and HK\$26,176,000, respectively, representing 16.1% and 35.7% of total trade receivables before loss allowance, respectively. While our administration and accounting department will monitor material overdue payments closely, there is no assurance that we will be able to collect all trade receivables from our customer, in full within the agreed credit term or at all. Any material delay in payment or non-payment by our customers could adversely affect our financial position, results of operations and cash flow.

RISK FACTORS

Our Group recorded net cash outflow from operating activities of approximately HK\$10,724,000 and HK\$22,176,000 for the years ended 31 March 2017 and 2019, respectively. If our Group persistently records net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected

We recorded net cash outflow from operating activities of approximately HK\$10,724,000 for the year ended 31 March 2017, mainly due to (i) increase in trade receivables of approximately HK\$36,163,000; and (ii) increase in contract assets of approximately HK\$17,130,000. The net cash outflow from operating activities of approximately HK\$22,176,000 for the year ended 31 March 2019 was mainly due to increase in trade receivables of approximately HK\$35,660,000 and increase in contract assets of approximately HK\$16,046,000 which was partially set off by increase in trade and other payables of approximately HK\$27,088,000. For details of our cash flows, please refer of the section headed “Financial Information – Liquidity, financial resources and capital structure – Cash flows” in this prospectus.

In a construction project, net cash outflow to pay certain operating expenditures may not align with progress payments to be received at the relevant periods. Progress payments will be paid after our construction works commence and are certified by our customers (or authorised persons employed by them). Accordingly, the net inflow and outflow of a particular project and our operating cashflow for a financial period may fluctuate as the construction works progress. In the event that there is persistent net cash outflow from operating activities and we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations

Our Group commenced operation in 1993 when our operating subsidiary, Richwell Engineering, was established. As our business continued to grow, two other subsidiaries of our Company, Richwell CE and Time Concept, were incorporated in 2009 and 2014, respectively. Richwell Engineering and Richwell CE are principally engaged in construction engineering works and Time Concept is principally engaged in the provision of subcontracting services for construction works. With more than 26 years of history, we believe that the reputation and brand name that we have built up play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation depend largely on our ability to provide responsive, reliable, quality and timely services to our customers and resolve construction related technical issues. If we fail to do so or our customers no longer perceive our services to be of their expected standard, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

In order to maintain our reliability and quality of service, we need to continue to maintain an effective quality control system for our project management service and works provided to our customers. We also need to keep up our technical competence for tackling all kinds of issues that may arise in and out of the construction site. Any failure or deterioration of our quality control system could result in defects in our works, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims ultimately prove to be valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

RISK FACTORS

We may not be able to bill and receive the full amount of contract assets and our revenue may fluctuate due to variation orders

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with the customers on the value of our work done. If we are not able to do so, our results of operations, liquidity and financial position may be adversely affected.

Further, the aggregate amount of revenue that we are able to derive from a project may fluctuate from the original contract sum specified in the relevant contract for the project due to variation orders (including addition, modification or cancellation of certain contract works) placed by our customers from time to time during the course of project execution. Please refer to the section headed “Business – Customers, sales and marketing – Principal terms of our contracts with customers” in this prospectus for further details of variation orders. As such, there is no assurance that the amount of revenue derived from our projects will not be substantially different from the original contract sum as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders.

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

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our revenue was approximately HK\$401,244,000, HK\$686,163,000, HK\$482,243,000, HK\$529,678,000 and HK\$609,195,000 respectively. For the corresponding period, our gross profit was approximately HK\$33,487,000, HK\$44,387,000, HK\$56,034,000, HK\$68,287,000 and HK\$74,921,000, whereas our gross profit margin for the corresponding period was 8.3%, 6.5%, 11.6%, 12.9% and 12.3%, respectively. For details of our results of operations, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

Given that our business is contract-based and is on a non-recurring basis, our revenue and profit margin in respect of the construction projects depend on the pricing of our quotation/tender and actual performance of our works which depend on a number of factors such as site condition, weather, variation orders and project management, which are different across projects. There is no assurance that we will always be able to maintain similar levels of profitability as those achieved during the Track Record Period. The historical financial information of our Group is a mere analysis of our past performance. It does not have any positive implication, nor does it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts with a reasonable profit margin, control our costs and expenditures and effective project implementation. Profit margins of our Group’s construction projects may fluctuate from project to project due to factors such as the scope and complexity of the projects, estimated construction materials costs, subcontracting charges and the costs of rental of machinery and equipment.

During the Track Record Period, our gross profit margin generated from projects where we were main contractor ranged from 5.1% to 7.0%, which are in general lower than gross profit margin for projects where we acted as subcontractor, which ranged from 6.8% to 16.5%. As discussed in the paragraph headed “Business – Our business strategies” and section headed “Future Plans and Use of Proceeds” in this prospectus, we intend to undertake more large scale civil engineering projects as the main contractor and increase the proportion of main contractor projects, from our past experience and the financial results during the Track Record Period, we expect there will be a decrease in overall gross profit margin.

Despite our gross profit margin generally indicating an overall positive trend throughout the Track Record Period, there is no assurance that our profit margin in the future will grow or remain at a level similar to those we achieved in the past.

RISK FACTORS

Any failure, damage or loss of our machinery, or failure to invest in suitable machinery may adversely affect our market competitiveness

Our capacity to carry out works for our customers depends on, among others, the availability of our machinery. A number of our machinery have been fully depreciated as at 31 March 2020, there is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery.

In addition, machinery may break down or fail to function normally due to wear and tear or mechanical issues. Any failure, damage or loss of our machinery may adversely affect our operations and we may incur unexpected cost in arranging replacement of machinery. Damage or worn parts in machinery generally increase the risks of causing mechanical hazards and injuries. In addition, if we fail to stay abreast of market trends and invest in suitable machinery to cope with changing customer demands and specifications, our overall competitiveness and financial position and operation results may be adversely affected. We have plans to acquire new machinery to expand our capacity, improve efficiency and gradually replace old machinery and such new machinery will still inherently be subject to the risks above. For details about our plans on acquiring machinery, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

If we fail to complete our works on time or at all, we may be required to pay liquidated damages or other penalties

If we fail to complete works by the relevant dates specified in the contracts, we may be required to pay liquidated damages to our customers according to the mechanisms stated in the contracts unless extension of time is granted to take into account the adverse weather condition, variations or change of design, or other factors.

There may be delays or disruptions to our works due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unforeseen engineering and/or construction difficulties; (ii) unexpected geological conditions in underground of the work sites; (iii) unfavourable weather conditions; (iv) complaints from occupants nearby; (v) political activities such as protests of activists; and/or (vi) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors of any tiers and other project parties. Although we may have ground to claim for extension of time in certain circumstances described above, disputes may arise between our Group and our customers in ascertaining the extension of time. In the event that we need to pay liquidated damages or other late penalties, our financial position and operating results may be adversely and materially affected.

We are exposed to certain types of liabilities which our insurance coverage generally does not include

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) liability for third-party bodily injury occurred in our office premises; and (ii) third-party liability in relation to the use of our vehicles. Included in the section headed “Business – Insurance” in this prospectus are the relevant details.

Certain types of risks, such as the risks in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrests, riots, and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

RISK FACTORS

There is no guarantee that safety measures and procedures we implemented at construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims given rise from employees' compensation, personal injuries, and/or property damage against us

We are committed to providing a safe and healthy working environment. However, we cannot guarantee that all of the safety measures and procedures are strictly adhered to at all times, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to claims given rise from employees' compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in significant financial loss, damages to our reputation in the industry, and adversely affect our financial condition. Please refer to the section headed "Business – Occupational health and safety" in this prospectus for details.

We may be involved in disputes and/or legal proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including measurement issues, variation instructions, as well as other project claims, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

Further, disputes may arise between our customers and us as to the value of works properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, after their completion, our customers may leverage their bargaining power and prolong the time to agree final accounts with us before the final payment can be released. There is no assurance that we may be able to resolve every instance of dispute by way of negotiation and/or mediation with the relevant parties. If we fail to do so, it may lead to legal proceedings against us, and consequently we may have to incur huge expense in defending ourselves in such actions. Handling legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. Worse still, if we fail to obtain favourable outcomes in such proceedings, we may be liable to pay significant amount of damages which may adversely affect our operations and financial results.

We may be liable for damage caused to underground utilities and infrastructures beneath our construction site when carrying out construction works

When we carry out construction works which involve excavation, we may encounter fresh water and sewage piping, electrical cables, optical fibre, telephone lines and high pressure gas mains and other utilities and infrastructures which are laid underground or below carriageways and footways. If our works cause damage to those utilities, we may commit an offence and may be liable for the cost of repairing the damaged utilities and infrastructures and the relevant remedial works will increase our costs for the projects and cause delay in our project schedule.

RISK FACTORS

Our business plans and strategies may not be successful or achieved within the expected time frame or the estimated budget

We intend to further enhance our machinery and strengthen our manpower to undertake more projects in the civil engineering sector and explore business opportunities in the building sector in order to achieve our business objective and sustain growth. Details of our plans can be referred to in the sections headed “Business – Our business strategies” and “Future Plans and Use of Proceeds” in this prospectus. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section.

There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure to maintain our current market position or implementing our plans will materially and adversely affect our business, prospect, financial condition and results of operations.

Construction industry is highly labour intensive and we rely on a stable supply of labour to carry out our projects

Construction projects involve labour intensive works. Often, a large number of workers from different trades with different skills will be required within a short time frame for us to commence a project or catch up with the progress.

There is no guarantee that the supply of labour and average labour costs will be stable. In the event that we or our subcontractors fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and our operations and profitability may be adversely affected.

Third parties may infringe upon our trademarks and/or intellectual property rights

Our Group has duly registered the text marks “Richwell”, “顯豐” and “Richwell 顯豐” in, among others, Class 37 (e.g. building construction, repair; installation services), but have identified a number of companies in Hong Kong operating under the trade name(s) “Richwell” and/or “顯豐” engaging in construction-related works. For details of our registered trademarks, please refer to the paragraph headed “Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

While our Directors consider that the use of the trade names “Richwell” and/or “顯豐” by these companies does not have any material adverse impact on our Group’s operations at present, we cannot assure that our trademarks and other intellectual property rights will not be subject to any infringement by these or other third parties in the future in a manner that could harm our market image and reputation, which may in turn materially and adversely affect our financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

Our performance is dependent on market conditions and trends in the civil engineering and building construction industry and in the overall state of Hong Kong's economy which may change adversely

Our performance and financial condition are heavily dependent on the state of economy in Hong Kong where all of our revenue was generated during the Track Record Period. The future growth and level of profitability of the construction industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. According to the Ipsos Report, the growth of Hong Kong's construction industry has been due to the rising demand for commercial and residential buildings as well as infrastructure. The nature, extent and timing of our projects will, however, be determined by the awards of projects from the customers and the Government, our competitiveness of tenders and our resources available. There are numerous factors affecting the construction industry, including but not limited to the number of Government-initiated infrastructure projects, demand of housing, supply of land, supply of labour and materials. In addition, according to the Ipsos Report, the total gross output value of construction works in Hong Kong grew at a CAGR of 4.9% from 2013 to 2019 but is forecast to grow at a lowered CAGR, at 2.0%, from 2020 to 2024. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for construction works in Hong Kong deteriorate, our operations and profits could be adversely affected.

Weather conditions, natural disasters, other acts of God, political unrest and other events may have negative impact on the civil engineering and building construction industry

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the civil engineering and building construction industry and our business and the progress of our construction projects. Political unrests may also cause damage or disruption to our business, our employees and our markets. All these events may adversely affect our operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters may cause disruptions in our Group's operations or delays in our delivery schedules. Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the construction industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer which will in turn adversely affect our results of operations.

We operate in a competitive industry

We operate in a highly competitive industry in which our competitors include various foreign, Hong Kong and China-based contractors that can provide services similar to ours. For public sector projects, although only contractors on the Approved Contractors List are permitted to tender, there are a large number of contractors in each category and group in the Approved Contractors List and our Directors anticipate that many of them will compete for every project. According to the Ipsos Report, as of June 2020, there were 1,433 structural and civil engineering subcontractors on General Civil Works registered under the Construction Industry Council. But as of June 2020, there were 61 Group B (Roads and Drainage), 52 Group B (Site Formation) and 59 Group C (Roads and Drainage) contractors on the Approved Contractors List. Comparatively, some of our competitors may have stronger brand names, bigger capital base, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources. Due to the open nature of the markets in which we operate, contractors with significant market presence and financial resources may also enter into the market provided that they have the relevant expertise/project reference meeting the listing requirements and are granted the requisite licences, and thereby intensify the competition. These contractors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our services. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

RISK FACTORS

Our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise and timely completion of the contracts to meet customers' schedules. There can be no assurance that the competition in the tendering process will not intensify in the future. If we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may fail to adapt to the changes in the construction industry

Similar to other industries, innovative technology can also transform the construction sector. For example, building information modelling (“**BIM**”) allows visualisation of designs to enhance planning and coordination in the construction process, contributing to significant reduction in material wastage as well as pre-empting safety pitfalls and unworkable designs. The Government has been promoting technology adoption through its Capital Works Programme. For instance, with effect from 2018, capital works projects exceeding HK\$30 million are required to use BIM from design to implementation. The use of new methods and technologies may incur additional investment in machinery and equipment, which would add to upfront costs. The investment in technology may also increase the financing and operating costs of companies which may increase the difficulties in controlling costs in a competitive operating environment. We cannot assure you that we can continue to adapt well when technology is continuously evolving, nor can we guarantee we can continue to thrive as the Government's efforts in promoting innovative construction technology intensifies. We also cannot assure you that the use of new technologies will guarantee cost saving or bringing in of new businesses. If we fail to maintain or improve our market position due to the inability to adopt innovative technology well, our business operation and prospects may be materially and adversely affected.

We are exposed to environmental liability

Our operations are subject to certain laws and regulations in relation to environmental protection. Included in the section headed “Business – Environmental protection” in this prospectus are our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance, which our Directors consider are appropriate and adequate.

During the Track Record Period and up to the Latest Practicable Date, we did not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations. In the event that our Group fails to comply with the relevant laws and regulations in relation to environmental protection, fines and penalty may be imposed by relevant authorities which may adversely affect our business, financial condition and results of operations.

Changes in the rules and regulations governing the construction industry, the licensing regime and other health, work safety and environmental responsibilities may adversely affect our operations and profitability

Under the relevant laws of Hong Kong, contractors undertaking construction work are required to comply with certain registration requirements and fulfil certain health, safety and environmental responsibilities. In the event that there is any change in the current regulatory regime that governs the construction industry, we may incur more costs in complying with the new requirements, and failing of which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

RISK FACTORS

RISKS RELATING TO HONG KONG

The outbreak of COVID-19 may adversely affect our operation and business performance

Since December 2019, the outbreak of COVID-19 has led to many confirmed cases and multiple deaths in China and many other countries and regions, including Hong Kong, South Korea, Japan, Europe and the United States. The World Health Organisation declared the COVID-19 a public health emergency of international concern in January 2020 and a global pandemic in March 2020. As the COVID-19 is highly contagious, if our employees are infected with COVID-19, quarantines and/or temporary closure of our office and/or our construction sites would be required. In addition, if the outbreak of COVID-19 is not contained in the near future, the Government may have to impose restrictions on movements and activities which may result in delay in delivery of construction materials from our suppliers. Any such events may result in disruption of our business operations, which in turn could have an adverse effect on our business, financial condition and results of operations. It is highly uncertain as to when the outbreak will be contained and if the impact will be short-lived or long-lasting. In the event of a prolonged outbreak, the overall economy in Hong Kong may be adversely affected. As a result, our business and prospect may be materially and adversely affected.

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

During the Track Record Period, all of our revenue was derived from 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.

According to the Office of the Government Economist, the Hong Kong economy contracted by 2.9% year-on-year in the third quarter of 2019, representing an abrupt deterioration from its mild growth of 0.5% in the first half of the year. Overall investment spending in terms of gross domestic fixed capital formation fell by 16.3% in the third quarter, representing a further widening from its 10.8% decline in the preceding quarter. Expenditure on building and construction continued to decline by 5.7%. In addition to slower private sector building activity, spending by the public sector also shrank as the implementation of new project items was affected by the delay in the Legislative Council's approval of funding proposals, and new projects had yet to generate sufficient output to offset the completion of some major infrastructure projects. The Office of the Government Economist expects that amid the highly uncertain external environment, Hong Kong's economic outlook for 2020 is fraught with uncertainties.

There can be no assurance that our overall business and results of operations can be immune from Hong Kong's economic uncertainties and if there is a persisted shrinkage in the economy or the construction industry in Hong Kong, our business and prospects may be adversely affected.

Our performance and financial condition may be affected by the protests and other social activities in Hong Kong

Our Group's business and operations are located in Hong Kong. Since June 2019, there had been a series of protests and social activities. In the event the protests and social activities persist, the construction industry could be adversely affected. It may also lead to delay in the award of the potential projects bid by us or affect the progress of our projects, which may in turn have an adverse impact on our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

An active trading market of the Shares may not develop

Prior to the Share Offer, there has been no public market for any of the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations among our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price of the Shares following the Share Offer. However, even if approved, being listed on the Main Board does not guarantee that an active trading market for the Shares will develop following the Share Offer or that the Shares will always be listed and traded on the Main Board. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

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

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenues, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions.

Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on the Main Board have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.12 per Share and approximately HK\$0.12 per Share based on the Offer Price of HK\$0.325 per Offer Share and HK\$0.34 per Offer Share respectively.

Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

RISK FACTORS

There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on 12 October 2020. However, the trading of Shares on the Main Board will not commence until the Listing Date, which is expected to be on 20 October 2020. The gap between pricing and commencement of trading of nine calendar days is longer than the usual market practice of six calendar days. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the date on which trading in the Shares commences on the Main Board. There is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholders, or the availability of Shares for sale by any substantial shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or our Company's future dividend policy

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, members of our Group have declared dividend in aggregate of HK\$10,000,000, HK\$20,000,000, nil, HK\$28,000,000 and nil, to their then shareholders respectively. Our Company's ability to pay dividends or make other distributions to the Shareholders is subject to the future financial performance and cash flow position of our Group. Our Company may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors.

Accordingly, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Our Group may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Law is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company law" in Appendix III to this prospectus.

RISK FACTORS

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed 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 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 Listing Rules for the purpose of giving information to the public with regard to our Group. 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, there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Share Offer comprises the Public Offer of 40,000,000 new Shares initially offered by our Company and the Placing of 360,000,000 Shares (comprising 280,000,000 new Shares and 80,000,000 Sale Shares initially offered by our Company and the Vendor respectively) (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

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 any information or representation not contained herein must not be relied upon as having been authorised by us, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

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

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no 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 Share Offer which is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to any agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor). The Share Offer is managed by the Joint Lead Managers.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed. Further information relating to the Underwriters and underwriting arrangement are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers, in any jurisdiction other than Hong Kong 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. Persons who possess this prospectus are deemed to have confirmed with our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. 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 any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Share Offer.

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

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered and sold any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

VENDOR

The Share Offer initially consists of 400,000,000 Shares, of which 80,000,000 Shares are offered for sale by the Vendor under the Placing. We estimate that the net proceeds to the Vendor from the Sale Shares (after deduction of the proportional underwriting fees and estimated expenses payable by the Vendor in relation to the Share Offer of approximately HK\$2.7 million, and assuming an offer price of HK\$0.3325 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$23.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Vendor are set out in the section headed “Statutory and General information – E. Other information – 12. Particulars of the Vendor” in Appendix IV to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is 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 or on behalf of the Stock Exchange.

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong Branch Share Register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Ocorian Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 20 October 2020. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares is 2132. Our Company will not issue any temporary documents of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 such other date determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. It is emphasised that none of our Group, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of, dealing in, the Shares or exercising any rights attached to them.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE

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

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), we make no representations and none should be construed as being made, that any of the Hong Kong dollars or U.S. dollars or Australian dollars amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Tsui Kai Kwong (徐繼光)	No.37, 4th Street Section C Fairview Park Yuen Long New Territories Hong Kong	Chinese
Mr. Tsui Tsz Yeung Ian (徐子揚)	House 13 12th Street River North Fairview Park Yuen Long New Territories Hong Kong	Chinese
Ms. Tsui Wai Yeung Janis (徐慧揚)	No.39, 4th Street Section C Fairview Park Yuen Long New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lee Yan Kit (李殷傑)	Flat D, 11th Floor Block 16, Provident Centre 51 Wharf Road North Point Hong Kong	Chinese
Mr. Lee Kin Kee (李建基)	Flat A, 12th Floor Block 7, Residence Oasis Hang Hau Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Kwong Ping Man (鄺炳文)	Flat G, 29th Floor Block 2, Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Frontpage Capital Limited

26th Floor

Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Joint Bookrunners

Seazen Resources Securities Limited

Unit 4503-07, 45/F

The Center

99 Queen's Road Central

Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)

DL Securities (HK) Limited

Flat 01, 28/F

Vertical Square

28 Heung Yip Road

Wong Chuk Hang

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Joint Lead Managers

Seazen Resources Securities Limited

Unit 4503-07, 45/F

The Center

99 Queen's Road Central

Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)

Solomon Asset Management (Hong Kong) Limited

Unit 804, 8/F

The L.Plaza

367-375 Queen's Road Central

Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on Securities) and type 9 (asset management) regulated activities under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Yuzhou Financial Holdings Limited

Unit 5805, 58/F

The Center

99 Queen's Road Central

Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on Securities) and type 9 (asset management) regulated activities under the SFO)

Legal advisers to our Company

As to Hong Kong law:

CFN Lawyers in association with Broad and Bright

Units 4101-4104, 41st Floor

Sun Hung Kai Centre

30 Harbour Road

Wan Chai

Hong Kong

(Solicitors of Hong Kong SAR)

As to Cayman Islands law:

Appleby

Suites 4201-03 & 12, 42nd Floor

One Island East, Taikoo Place

18 Westlands Road, Quarry Bay

Hong Kong

(Legal advisers as to the Cayman Islands law)

**Legal advisers to the Sponsor and
the Underwriters**

As to Hong Kong law:

T. S. Chu Lawyers

Room 1101, 11th Floor

Shanghai Industrial Investment Building

48-62 Hennessy Road

Wan Chai

Hong Kong

(Solicitors of Hong Kong SAR)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and reporting accountants	HLB Hodgson Impey Cheng Limited 31st Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong <i>(Certified Public Accountants)</i>
Market research consultant	Ipsos Asia Limited 6/F China Life Centre Tower A, One Harbour Gate, 18 Hung Luen Road, Hung Hom, Hong Kong
Internal control consultant	Sam K. M. Ng CPA Limited Room 501, 5th Floor Tai Tung Building 8 Fleming Road Wan Chai Hong Kong
Receiving bank	DBS Bank (Hong Kong) Limited 11/F, The Center 99 Queen's Road Central Central Hong Kong
Vendor	New Brilliance Enterprises Limited 3rd Floor, J & C Building Road Town Tortola British Virgin Islands VG1110

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal office of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 2808, 28th Floor The Octagon 6 Sha Tsui Road Tsuen Wan New Territories Hong Kong
Company's website	<u>www.landrich.com.hk</u> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Ng Hoi Ying (吳愷盈) (CPA) Room 502 Tai Tung Building 8 Fleming Road Wan Chai Hong Kong
Authorised representatives	Mr. Tsui Kai Kwong (徐繼光) No.37, 4th Street Section C Fairview Park Yuen Long New Territories Hong Kong Ms. Ng Hoi Ying (吳愷盈) (CPA) Room 502 Tai Tung Building 8 Fleming Road Wan Chai Hong Kong
Audit Committee	Mr. Lee Kin Kee (李建基) (Chairman) Mr. Lee Yan Kit (李殷傑) Mr. Kwong Ping Man (鄺炳文)
Remuneration Committee	Mr. Lee Yan Kit (李殷傑) (Chairman) Mr. Lee Kin Kee (李建基) Mr. Kwong Ping Man (鄺炳文) Mr. Tsui Kai Kwong (徐繼光)

CORPORATE INFORMATION

Nomination Committee	Mr. Kwong Ping Man (鄺炳文) (<i>Chairman</i>) Mr. Lee Yan Kit (李殷傑) Mr. Lee Kin Kee (李建基) Mr. Tsui Kai Kwong (徐繼光)
Cayman Islands principal share registrar and transfer office	Ocorian Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Principal banks	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central Hong Kong Standard Chartered Bank 1st Floor Golden Court 66-70 Nathan Road Tsim Sha Tsui Kowloon Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Ipsos and reflected estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Ipsos and set out in this section has not been independently verified by our Group, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making any investment decision.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to assess the industry development trends, market demand and competitive landscape of the civil engineering works industry with focus on roads and drainage, and site formation works industry in Hong Kong for the period from 2013 to 2024, at a fee of HK\$669,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with Share Offer in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos Sa acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,500 worldwide across 88 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering through: (i) desktop research including Government statistics, journals and financial reports; and (ii) primary research including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Government officials, developers, main contractors, subcontractors, architects, quantity surveyors, industry experts and associations in the construction industry in Hong Kong. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as Government publication, market data providers and the Ipsos Report.

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change, since the Latest Practicable Date of Ipsos Report which may qualify, contradict or have a material impact on the information in this section.

INDUSTRY OVERVIEW

ASSUMPTION USED IN THE IPSOS REPORT

The following assumptions were adopted in the preparation of the Ipsos Report:

- The supply and demand of the civil engineering with roads and drainage, and site formation works industry are assumed to remain stable during the forecast period.
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the civil engineering with roads and drainage, and site formation works in Hong Kong during the forecast period.

MACROECONOMIC ENVIRONMENT IN HONG KONG

GDP and GDP growth rate in Hong Kong

The Hong Kong GDP grew from HK\$2,316.7 billion in 2013 to HK\$2,703.0 billion in 2019, at a CAGR of approximately 2.6%. Construction is one of the key pillars supporting the growth of the Hong Kong economy. From 2013 to 2018, the share of construction industry to the Hong Kong GDP ranged from 4.0% to 5.2%. In 2020, the Hong Kong GDP is expected to experience slowdown due to COVID-19. The Hong Kong economy is expected to rebound in 2021 and maintain an increasing trend since then.

Gross fixed capital formation value in Hong Kong

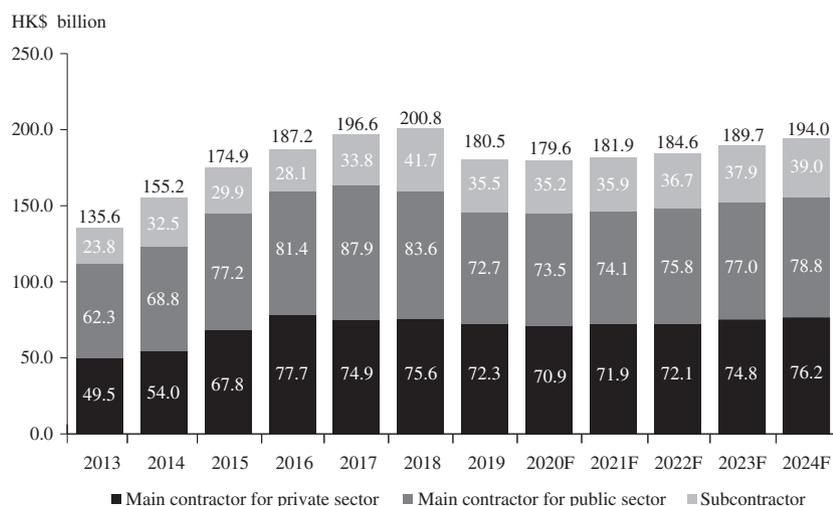
During the historical period from 2013 to 2019, the gross fixed capital formation first increased consistently from 2013 to 2018 as supported by consistent housing development projects and large-scale infrastructural projects such as the Ten Major Infrastructure Projects. However, the gross fixed capital formation dropped by approximately 10.7% in 2019 mainly caused by a significant drop in cost of ownership transferred. Overall, it increased slightly at a CAGR of approximately 1.0%.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

In the beginning of 2020, the outbreak of COVID-19 occurred in Hong Kong. While very few contractors suspended construction works for 14 days during the first quarter of 2020 when the COVID-19 just broke out, the impacts of COVID-19 on the construction industry in general were minimal. Most contractors were able to continue their construction works with strengthened safety and health measures, including but not limited to, regular sanitisation, temperature checking and provision of necessary protective gears such as surgical masks, goggles etc. In terms of building material supply, construction contractors in Hong Kong mainly source building materials from mainland China, most factories in mainland China were able to resume production works in a gradual manner since late February. Therefore, there were minimal disruptions on building material supply for construction contractors in Hong Kong.

INDUSTRY OVERVIEW

Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2013 to 2024



CAGR	2013-2019	2020-2024
Private sector	6.5%	1.8%
Public sector	2.6%	1.8%
Subcontractors	6.9%	2.6%
Total	4.9%	2.0%

Note(s): "F" denotes forecast figure

Source(s): Census and Statistics Department; Ipsos Report

Notes: Total output value of construction works may not be equal to the sum of values of main contractor for both the public and private sectors and subcontractors due to the rounding-off issues.

Total gross output value of construction works in Hong Kong increased from approximately HK\$135.6 billion in 2013 to approximately HK\$180.5 billion in 2019 at a CAGR of approximately 4.9%. Gross output value of construction works performed by main contractors recorded a stronger growth in private sector than public sector. Growth during the historical period was largely supported by the Ten Major Infrastructure Projects and housing development projects, both private and public.

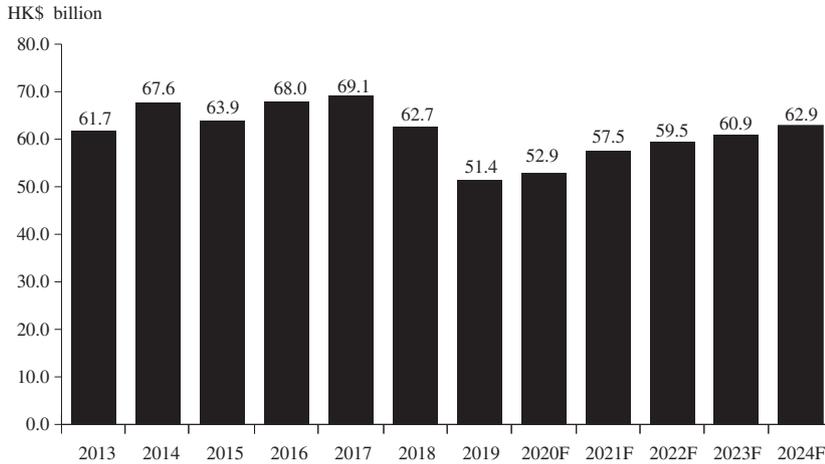
With the completion of most of the Ten Major Infrastructure Projects, the gross output value of construction works is expected to grow at a lower CAGR of approximately 2.0% from 2020 to 2024. In addition to existing construction projects such as the West Kowloon Cultural District, Energising Kowloon East, and North East New Territories New Development Areas etc., new construction projects and development plans initiated by the Government are expected to drive the future growth of the construction industry, for example, the Three-Runway System and associated works as outlined in the Hong Kong International Airport Master Plan 2030 and the 10-Year Hospital Development Plan. Also, housing development, both private and public, to address the growing demand for housing will continue to be one of the driving forces to the construction industry. In the forecast period, the gross output value of construction works is expected to increase from HK\$179.6 billion in 2020 to HK\$194.0 billion in 2024.

INDUSTRY OVERVIEW

OVERVIEW OF THE CIVIL ENGINEERING WORKS INDUSTRY IN HONG KONG

Civil engineering works

Gross output value of civil engineering works in Hong Kong from 2013 to 2024



CAGR	Civil engineering works industry
2013-2019	-3.0%
2020-2024	4.4%

Note(s): "F" denotes forecast figure

Source(s): Census and Statistics Department; Ipsos Report

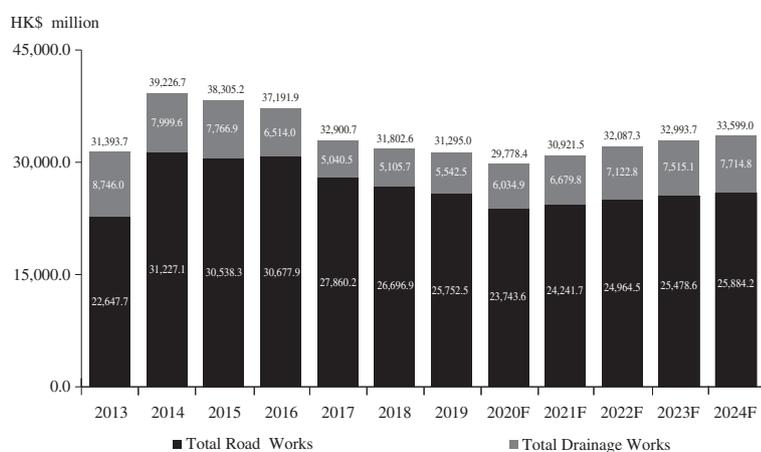
The gross output value of the civil engineering works industry in Hong Kong fluctuated from 2013 to 2019, with an overall decrease at a CAGR of approximately -3.0%, reducing from HK\$61.7 billion to HK\$51.4 billion. The growth from 2013 to 2018 was largely attributed to the Ten Major Infrastructure Projects which worth over HK\$300.0 billion. However, from 2018 to 2019, the gross output value of the civil engineering works industry dropped considerably as a result of completion of most of the Ten Major Infrastructure Projects and the suspension of Legislative Council meetings which caused delays in funding approval of public works projects.

In 2020, the gross output value of the civil engineering works industry in Hong Kong is expected to rebound slightly and grow in a steady fashion throughout the forecast period from 2020 to 2024. There are several Government projects supporting the future growth of the civil engineering works industry in Hong Kong, the Three Runway System, Tung Chung New Town Extension and Kai Tak Development to name a few. Overall, the gross output value of the civil engineering works industry is expected to increase in a stable manner, from HK\$52.9 billion in 2020 to HK\$62.9 billion in 2024, at a CAGR of approximately 4.4%.

INDUSTRY OVERVIEW

Roads and drainage works

Gross output value of roads and drainage works from 2013 to 2024



CAGR	Total road works	Total drainage works	Total roads and drainage works
2013-2019	2.2%	-7.3%	-0.1%
2020-2024	2.2%	6.3%	3.1%

Note(s): “F” denotes forecast figure

Source(s): Census and Statistics Department; Ipsos Report

Road works are important to improve road transportation network and maintain road system efficiency. The gross output value of road works experienced fluctuations due to differences in contract value generated at different project stages from 2013 to 2019. Overall, the gross output value of road works increased from HK\$22,647.7 million to HK\$25,752.5 million, at a CAGR of approximately 2.2%. The growth was mainly supported by large-scale infrastructural projects, namely the Hong Kong-Zhuhai-Macau Bridge, the Tuen Mun – Chek Lap Kok Link etc., which contributed to the peak in 2014 at HK\$31,227.1 million. The growth of gross output value of road works slowed down since then as the construction works of the aforementioned mega road projects completed one after another while upcoming road construction projects were still under design and planning stage. In the forecast period, both ongoing large-scale road construction and improvement projects such as Central Kowloon Route, Widening of Western Section of Lin Ma Hang Road between Ping Yuen River and Ping Che Road and Hiram’s Highway Improvement Stage One as well as projects under design and planning such as Improvement of Lion Rock Tunnel, Hiram’s Highway Improvement Stage Two etc., are expected to provide continued growth momentum to the gross output value of road works. Moreover, road construction works in New Development Areas (NDAs) such as the Tung Chung New Town Extension and Hung Shui Kiu NDAs are expected to support the industry growth. Thereafter, the gross output value of road works is expected to grow from HK\$23,743.6 million in 2020 to HK\$25,884.2 million in 2024, at a CAGR of approximately 2.2%.

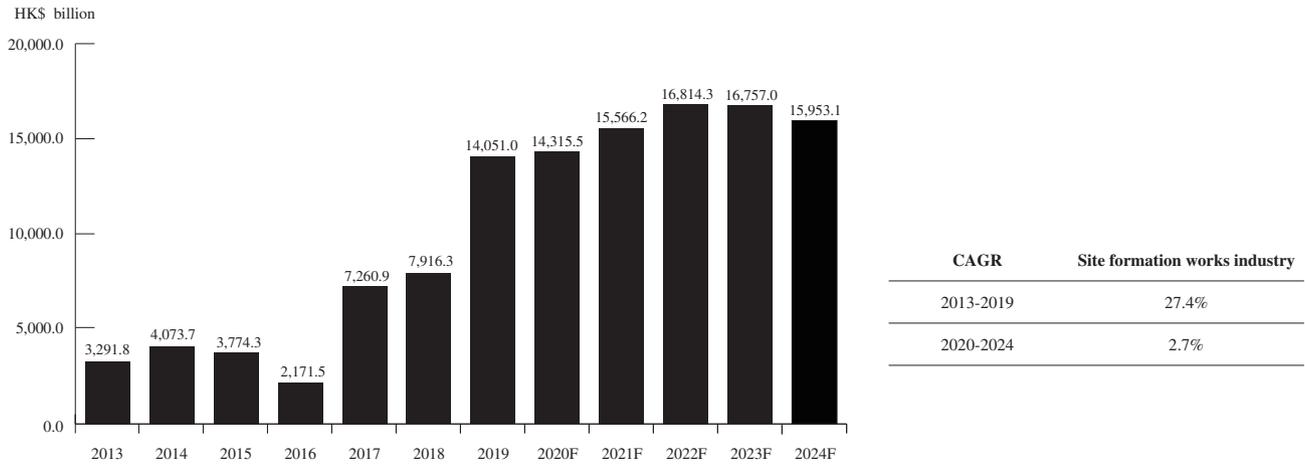
The gross output value of drainage works decreased at a CAGR of approximately -7.3% from HK\$8,746.0 million in 2013 to HK\$5,542.5 million in 2019. Such decrease was primarily the result of long service life of drainage facilities, i.e. the design life for sewers and tunnel sewers are 40 years and 100 years respectively. Also, the design return period for rural drainages is 50 years while the design period for urban drainages is 200 years. In recent years, considering the ageing issues of existing drainage systems, changes in demographic environment and potential flooding problems caused by extreme weather condition, the Drainage Services Department has rolled out a series of construction of new drainage facilities and improvement works of existing drainage facilities covering the 18 districts in Hong Kong, for example, Rehabilitation of Underground Stormwater Drains, Expansion of Sha Tau Kok Sewage Treatment Works Phase One and Village Sewerage in Tong To, and Rehabilitation of Truck Sewers in Tuen Mun. Similarly, drainage facilities are an essential component for NDAs too. Consequently, the gross output value of drainage works is expected to increase significantly at a CAGR of approximately 6.3%, from HK\$6,034.9 million in 2020 to HK\$7,714.8 million in 2024.

INDUSTRY OVERVIEW

OVERVIEW OF THE SITE FORMATION WORKS INDUSTRY IN HONG KONG

Site formation works aim to provide a safe and firm ground through landslip preventive work and landslip remedial work. Commonly, site formation begins with land levelling and slope, followed by forming land to the required orientation if needed and finally building retention wall for build-ups like roadways, drainage and other related infrastructure or buildings.

Gross output value of site formation industry in Hong Kong from 2013 to 2024



Note(s): “F” denotes forecast figure

Source(s): Census and Statistics Department; Ipsos Report

The gross output value of site formation works fluctuated during the historical period from HK\$3,291.8 million in 2013 to HK\$14,051.0 million in 2019, growing significantly at a CAGR of approximately 27.4%. Fluctuations were partly because of the delays in funding approval for public works due to filibuster in the Legislative Council meetings. Site formation works are carried out in the early stage of the overall construction process so that a piece of land is prepared for the following construction works. In recent years, the Government has rolled out several NDAs in order to increase land supply for housing and economic development which contributed to the peak of the gross output value of site formation works in 2019 at HK\$14,051.0 million along the historical period and driving force from NDAs is expected to sustain in the forecast period from 2020 to 2024. Besides NDAs, both public and private housing development plans and other government projects such as the 10-Year Hospital Development Plan will require site formation works as well. Therefore, the gross output value of site formation works is expected to grow stably from HK\$14,315.5 million in 2020 to HK\$15,953.1 million in 2024, at a CAGR of approximately 2.7%.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE CIVIL ENGINEERING WORKS INDUSTRY IN HONG KONG

The five largest players in the Hong Kong civil engineering works industry in 2019

According to the Ipsos Report, the top five civil engineering companies (in terms of market share in the civil engineering works industry in Hong Kong in 2019) are as follows:

Rank	Contractor	Background information	Estimated revenue in 2019 (HK\$ million)	Approximate market share
1	Company A	Company A is a China-based group listed on the Main Board of the Stock Exchange. It mainly engages in civil engineering works in Hong Kong through its three subsidiaries, of which, two are Group C contractors registered on the Approval Contractors List maintained by the Development Bureau for all categories of construction works while one is a Group B contractor for building works, port works, roads and drainage works and site formation.	10,490.2	20.4%
2	Company B	Company B is a Hong Kong-based group listed on the Main Board of the Stock Exchange. It engages in civil engineering works mainly through its three subsidiaries, (i) a Group C contractor for port works and site formation works, and a Group B contract for roads and drainage works, (ii) a Group A contractor for building works, a Group B contractor for site formation works and a Group C contractor for roads and drainage works, and (iii) a Group C contractors for all categories of construction works on the Approved Contractors List maintained by the Development Bureau.	3,800.0	7.4%
3	Company C	Company C is a Hong Kong-based contractor jointly owned a Hong Kong-based company listed on the Singapore Exchange and a UK-based company listed on the London Stock Exchange. Company C is a Group C contractor for all categories of construction works on the Approval Contractors List maintained by the Development Bureau.	1,787.5	3.5%
4	Company D	Company D is a Hong Kong-based group listed on the Main Board of the Stock Exchange. It engages in construction activities in Hong Kong through its subsidiaries, one is a Group B contractor for roads and drainage works and a Group C contractor for site formation while the other one is a Group C contractor for all categories of construction works on the Approval Contractors List maintained by the Development Bureau.	1,707.7	3.3%
5	Company E	Company E is a Hong Kong-based group listed on the Main Board of the Stock Exchange. It engages in construction activities in Hong Kong mainly through its subsidiary, which is a Group C contractor for all categories of construction works on the Approval Contractors List maintained by the Development Bureau.	1,390.3	2.7%
	Our Group	Our Group is a Hong Kong-based group with a focus on highways, bridges, tunnel works and site formation. Our Company engages in construction activities through its two subsidiaries, one is a Group B contractor for roads and drainage works while the other one is a Group C contractor for roads and drainage works and a Group B contractor for site formation.	495.0	1.0%
	Others (excluding Top 5 and Our Group)		31,778.5	61.7%
	Total		51,449.2	100%

Note(s): The revenue of our Group in 2019 shall refer to the revenue generated for the fiscal year ended 31 March 2020.

Source(s): Development Bureau; Ipsos Report

INDUSTRY OVERVIEW

Industry structure and positioning of our Group in Hong Kong

The civil engineering works industry in Hong Kong is relatively concentrated, with the top 5 players accounting for approximately 37.3% of the total industry revenue in 2019. It is estimated that the market share of our Group in the civil engineering works industry in Hong Kong was approximately 1.0% in 2019 in terms of revenue.

Factors influencing competition among industry players

Key factors of competition include: (i) technical expertise; (ii) quality of works; and (iii) client relationship.

Related expertise and experiences to carry out different types of civil engineering works serve as the fundamental of a successful civil engineering company. It is also an important factor to meet project timeline, quality and budget. Another factor of competition includes quality of works, one of the key assessment areas valued by customers. On the other hand, solid and long-term working relationships with main contractors increase the likelihood of winning tenders.

Market drivers of the civil engineering works industry in Hong Kong

1. Continuous infrastructure spending boosting the growth of the civil engineering works industry

According to the 2020-21 Budget Speech, the capital works expenditure is estimated to increase from HK\$64.2 billion for 2019-20 fiscal year to HK\$74.0 billion for 2020-21 fiscal year, at a year-on-year growth of approximately 15.3%. There are a number of large-scale infrastructural and development projects to be carried out, including the Three-Runway System at the Hong Kong International Airport, 10-Year Hospital Development Plan, railway projects such as the proposed Tuen Mun South Extension and new town development projects (such as the Tung Chung New Town Extension and Kwu Tung North/Fanling North NDAs). The aforementioned projects will require civil engineering works including site formation works, and roads and drainage works, boosting the future growth of the civil engineering works.

2. Continued roads and drainage works as a well-maintained city

Road network and drainage systems are fundamental to Hong Kong's long-term competitiveness and citizen's quality of life. Therefore, roads and drainage infrastructure construction sector is expected to grow and expand in a stable manner with continued Government efforts to maintain and enhance the overall road network and drainage systems, which are expected to support the future development of the civil engineering works industry as well. Large scale road construction projects supporting the future growth of road works include Central Kowloon Route, Widening of Western Section of Lin Ma Hang Road between Ping Yuen River and Ping Che Road, Improvement of Lion Rock Tunnel and Hiram's Highway Improvement Stage Two. Regarding drainage facilities construction works, there are a number of large-scale projects to be carried out in the forecast period, namely, Expansion of Sha Tau Kok Sewage Treatment Works, Phase One, Rehabilitation of Truck Sewers in Tuen Mun, Drainage Improvement in Northern New Territories – Package B (remaining works) and Upgrading of West Kowloon and Tsuen Wan Sewerage – Phase Two.

3. More training programmes to enhance the productivity of the construction industry as well as the civil engineering works industry

The construction industry has been facing the issues of ageing workforces and labour shortage with increasing demand for construction workers from both private and public sector. To increase the supply of construction workers, the Government has provided continued funding to the Construction Industry Council (CIC) to organise necessary on-the-job training programmes. According to the 2016-17 Budget Speech, the Government has allocated a total of HK\$420 million in the past six years to CIC for organising relevant training programmes. Subsequently in 2018, CIC established the Hong Kong Institute of Construction in order to provide structured and holistic training programmes with clear career advancement pathways. Also, in the 2019-20 Budget Speech, HK\$200 million will be allocated to enhance training of construction workers to support the future growth of the construction industry. Civil engineering works industry as a key subsegment of the Hong Kong construction industry is expected to benefit from the aforementioned efforts put forth by the Government through CIC.

Entry barriers for the civil engineering works industry in Hong Kong

1. Lack of relevant industry experience

Knowledge and project execution experiences of civil engineering, structure, geology and technical expertise are one of the entry barriers for the civil engineering industry as construction contractors are responsible for the entire project execution and problem solving at the construction site. However, such knowledge and experiences can only be accumulated through years of education and training as well as on-site practical execution. New players with limited industry knowledge and technical expertise are expected to have difficulties entering the industry and competing with established players with years of experience during tendering process.

2. High capital requirement to initiate a civil engineering work project

The civil engineering works industry is capital intensive as it usually involves highly specialised machinery during operation, particularly for construction and maintenance of roads that involve machinery like truck cranes, wheel loaders, motor graders. Therefore, new joiners are required to have sufficient capital for machinery investment. Insufficiency of capital may be a hindrance for new entrants.

3. Lack of proven track records and reputation

In general, contractors' ability to undertake projects is assessed through track record and experience of contractors during the tendering process. New entrants, on the other hand, are likely to be assessed as lack of proven project management and work experience to showcase their capabilities to complete construction projects in a timely manner during tendering process.

Threats to the civil engineering works industry in Hong Kong

1. Increasing construction costs and intense competition may hinder profitability

Similar to the construction industry in Hong Kong, the civil engineering works industry also faces increasing costs of building materials and labour. The average daily wage rate of construction workers engaged in the public sector in Hong Kong increased at a CAGR of approximately 4.4% from HK\$1,067.5 in 2013 to HK\$1,382.6 in 2019. Increase in operation costs may result in lower profitability. On the other hand, with increasing level of competition, construction contractors may adopt a more price competitive approach during tendering process to increase the tender success rate. Amid rising operating costs, the profitability of the civil engineering works industry in Hong Kong might be hindered.

INDUSTRY OVERVIEW

2. *Insufficient experienced and skilled labour*

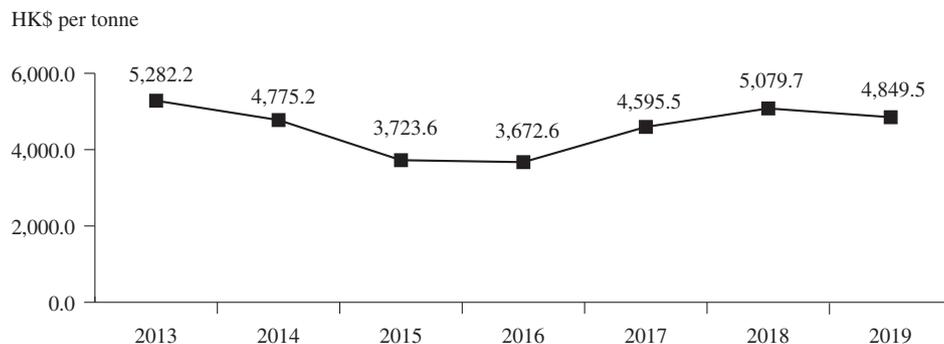
The problem of insufficient experienced and skilled labour may threaten the development of Hong Kong's civil engineering works industry. According to the Report of CIC Manpower Forecasting Model 2018 (Skilled Construction Workers) published by the Construction Industry Council in May 2019, the construction industry is estimated to experience labour shortage. Specifically, for trades related to civil engineering works, concretors, plumber, metal works, general welders etc. are forecasted to fall short of labour. Moreover, approximately 44.6% of construction workers were aged 50 or above during the period from 1 June 2019 to 31 May 2020, indicating the issue of ageing workforce and retirement of skilled workers due to old age in the short-term. Consequently, the labour shortage problem facing the Hong Kong construction industry including the civil engineering works industry may be worsened.

3. *Reputation risk affected by public infrastructure delays or cost overruns*

Delays and cost overruns of infrastructure projects in recent years may jeopardise the reputation of contractors involved. Delays in completion may be caused by contractors' (including their subcontractors) poor performance, contingency circumstances such as unforeseen ground conditions and inclement weather. Cost overruns were caused by rising tender returns and increase in building materials and labour costs.

Historical key material and labour costs in the civil engineering works industry in Hong Kong

Average wholesale price of steel reinforcements (high tensile steel bars) in Hong Kong from 2013 to 2019

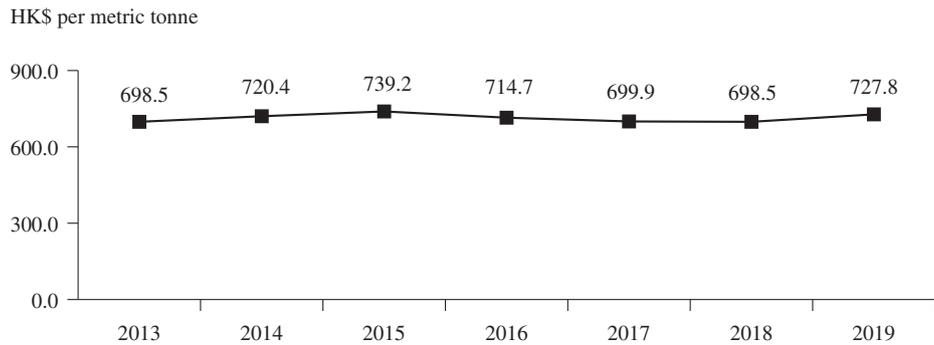


Source(s): *Census and Statistics Department; Ipsos Report*

The average wholesale price of steel reinforcements dropped from about HK\$5,282.2 per tonne in 2013 to HK\$4,849.5 per tonne in 2019, at a CAGR of approximately -1.4%. The drop is attributed to the decrease in downstream industries' demand for steel production during this period and partly caused by the increased difficulty in financing caused by the deteriorating European economy and as a direct consequence of China's steel dumping. However, along with the recovering crude oil price and global economy recovery, the average wholesale price of steel reinforcements increased from 2016 to 2018. In 2019, the average wholesale price of steel reinforcements dropped by approximately 4.5% amid uncertainties caused by US-China trade war.

INDUSTRY OVERVIEW

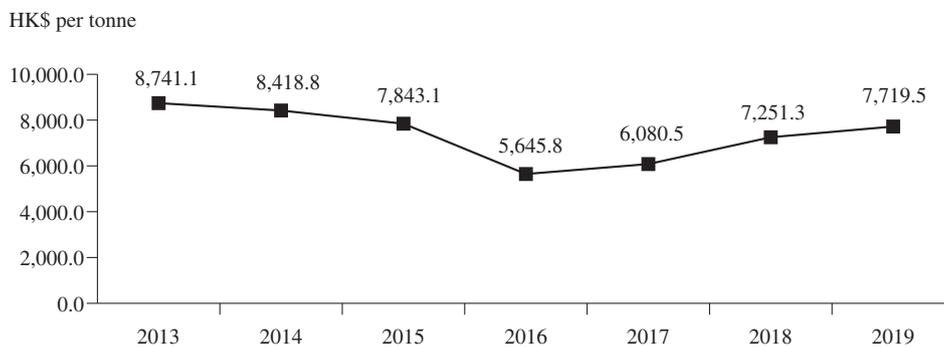
Average wholesale price of cement in Hong Kong from 2013 to 2019



Source(s): Census and Statistics Department; Ipsos Report

The average wholesale price of cement in Hong Kong fluctuated from 2013 to 2019. Overall, it increased slightly from HK\$698.5 per metric tonne in 2013 to HK\$727.8 per metric tonne in 2019, at a CAGR of approximately 0.7%. The increasing price trend from 2013 to 2015 was partly attributed to the increasing demand driven by the booming construction activities.

Average wholesale price of bitumen in Hong Kong from 2013 to 2019

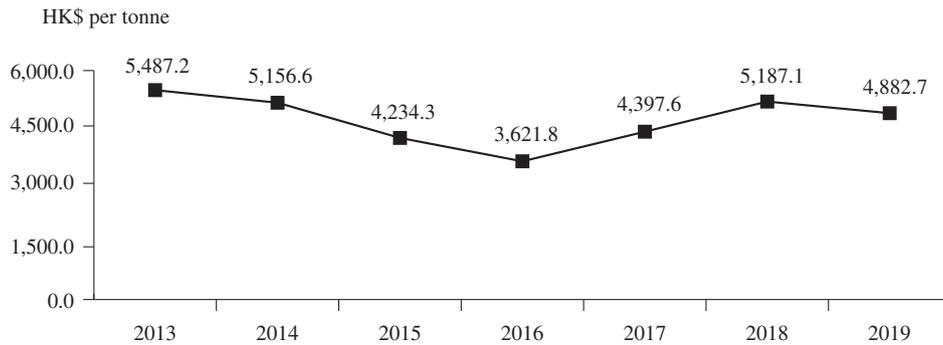


Source(s): Census and Statistics Department; Ipsos Report

The average wholesale price of bitumen decreased from approximately HK\$8,741.1 per tonne in 2013 to approximately HK\$7,719.5 per tonne in 2019 at a CAGR of approximately -2.1%. Bitumen is used mostly for road construction. Price of bitumen fluctuated along with crude oil prices. Apart from the fall in crude oil prices, weaker global demand and oversupply of bitumen from China also contributed to the decreasing prices of bitumen.

INDUSTRY OVERVIEW

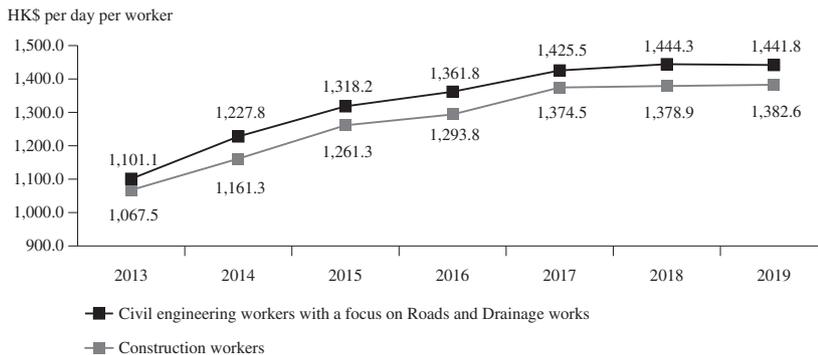
Average wholesale price of H-piles in Hong Kong from 2013 to 2019



Source(s): Census and Statistics Department; Ipsos Report

The average wholesale price of H-piles decreased from HK\$5,487.2 per tonne in 2013 to HK\$4,882.7 per tonne in 2019, at a CAGR of approximately -1.9%. The average wholesale price of H-piles first decreased from 2013 to 2016 attributed to the over-supply from China, which is the major production country of steel; it then increased from HK\$3,621.8 per tonne in 2016 to HK\$5,187.1 per tonne in 2018 with China’s decapacity policies to tackle the issue of overproduction. However, the price of H-piles decreased from 2018 to 2019 amid uncertainties caused by US-China Trade War and weakening global market demand.

Average wages of construction workers and civil engineering workers with a focus on roads and drainage works in Hong Kong from 2013 to 2019



CAGR	2013-2019
Construction workers	4.4%
Civil Engineering workers with a focus on Roads and Drainage works	4.6%

Source(s): Census and Statistics Department; Ipsos Report

The average daily wage of workers engaging in the construction industry in Hong Kong increased from about HK\$1,067.5 in 2013 to HK\$1,382.6 in 2019, at a CAGR of approximately 4.4%. The average daily wage of civil engineering workers with a focus on roads and drainage works increased from HK\$1,101.1 in 2013 to HK\$1,441.8 in 2019, at a CAGR of approximately 4.6%. The strong demand for workers and labour shortage caused by lack of new joiners and ageing workforce in the industry were the major reasons leading to the increase in average daily wage throughout the years.

Our competitive strengths

Please refer to the section headed “Business – Our competitive strengths” for a detailed discussion.

REGULATORY OVERVIEW

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

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Construction Workers Registration Ordinance provides for, among other things, the registration of construction workers and the regulation of construction workers personally carrying out construction work. Under the Construction Workers Registration Ordinance, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker of the Registrar of Construction Workers. Likewise, subcontractors, among others, of the construction site are required to employ only registered construction workers.

Under the Construction Workers Registration Ordinance, a subcontractor, in relation to a principal contractor, is defined as any person who enters into a contract with another person (whether or not the principal contractor) to undertake all or any part of the construction work that the principal contractor has undertaken. Our Group is considered a subcontractor of our projects and is required to only employ registered construction workers to personally carry out construction works for our projects.

Any person who employs a person who is not a registered construction worker to personally carry out construction work on a construction site shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000.

The Construction Workers Registration Ordinance also contains a “designated workers for designated skills” provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small-scale construction works (e.g. value of works not exceeding HK\$100,000).

Stage 1 of the “designated workers for designated skills” provision, of which “designated works” will include construction, re-construction, addition, alteration and building services works, shall be implemented with immediate effect from 1 April 2017. Upon implementation of Stage 1 of the “designated workers for designated skills” provision pursuant to the Construction Workers Registration Ordinance, registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites relating to those trade divisions independently.

As at the Latest Practicable Date, all of our site staff carrying out construction works on our construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance.

REGULATORY OVERVIEW

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

Industrial undertakings, which include construction work, are subject to the Factories and Industrial Undertakings Ordinance, and any person or body corporate having the management or control of the business carried on in an industrial undertaking is required to comply with the Factories and Industrial Undertakings Ordinance and provide for the safety and health protection to workers in the industrial undertaking.

Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking (namely the person or body corporate having the management or control of the business carried on in an industrial undertaking) to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor include: (i) providing and maintaining plant and work systems that do not endanger safety or health; (ii) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; (iii) providing all necessary information, instructions, training and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and could be held liable to a fine of HK\$500,000 and to imprisonment for 6 months. As our operations encompass the management or control of industrial undertakings for the time being of our projects, our Group may be considered a proprietor under the Factories and Industrial Undertakings Ordinance and as such any breach of our duties under the Factories and Industrial Undertakings Ordinance may constitute an offence and result in our Group being liable to a fine of HK\$500,000.

Further, as our project team is responsible for the on-site supervision and inspection works of our projects, members of our project team are required to carry with their persons valid Green Cards or an equivalent document in accordance with the Factories and Industrial Undertakings Ordinance while carrying out such on-site supervision and inspection works.

Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, persons employed by industrial undertakings engaging in construction work must attend a relevant safety training course recognised under the Factories and Industrial Undertakings Ordinance and be issued a Green Card for attendance of such safety training course. On and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance), it shall be the duty of every relevant person employed at an industrial undertaking engaging in construction work who has been issued a relevant Green Card which has not expired to, among other things, carry with his person the Green Card or an equivalent document while at work at the undertaking, and it is the duty of every proprietor of an industrial undertaking engaging in construction work not to employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. A Green Card shall expire within 1 to 3 years after the day on which the certificate was issued.

Any proprietor who contravenes section 6BA commits an offence and is liable to a fine of HK\$50,000. However, it shall be a defence for an offence contrary to section 6BA for the proprietor to show that it believed, and that it was reasonable for it to believe, that the relevant person to whom the offence relates had been issued with a relevant Green Card and that it had not expired.

REGULATORY OVERVIEW

We are also required to comply with subsidiary regulations of the Factories and Industrial Undertakings Ordinance such as the Construction Sites (Safety) Regulation (Chapter 59I of the Laws of Hong Kong). The Construction Sites (Safety) Regulation provides for, among others, (i) the prohibition of employment of persons under 18 years of age on construction sites (save for certain exceptions); (ii) maintenance and operation of construction plants (including any plant, equipment, gear, machinery, apparatus, or appliance, or any part thereof) used or intended to be used for the purpose of construction work; (iii) the duty of a contractor responsible for a construction site to ensure the safety of the place of construction work; (iv) the duty of a contractor responsible for a construction site to take adequate steps to prevent falls; and (v) provision of first aid facilities.

Rules arising from the Construction Sites (Safety) Regulation carry different levels of penalty and any person or body corporate who contravenes or fails to comply with a rule under the Construction Sites (Safety) Regulation commits an offence and may be liable to a fine corresponding to that rule. A contractor found guilty of an offence could be held liable to a fine of up to HK\$200,000 and imprisonment up to 12 months.

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

As our operations involve industrial workplaces such as construction sites and our workers may be exposed to injuries whilst carrying out construction work, our Group is subject to the Occupational Safety and Health Ordinance. Our project team is also responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with the Occupational Safety and Health Ordinance.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by: (i) providing and maintaining plant and work systems that do not endanger safety or health; (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy work environment.

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

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

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

Our Group has leased several properties and is considered to be the occupier of such properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises. For details of the properties we leased, please refer to the section headed “Business – Property interests”.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premises to take such care so as to ensure that any person will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

REGULATORY OVERVIEW

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Our Group is responsible for the control of the construction sites of our projects, and as such we are required to comply with the Immigration Ordinance. Under section 38A of the Immigration Ordinance, we are prohibited from recruiting illegal workers and are required to employ only lawfully employable workers to carry out works on our construction sites. Our subcontractors, who may also be considered construction site controllers, are also required to comply with section 38A of the Immigration Ordinance. A construction site controller is defined as a principal or main contractor and includes any subcontractor, owner, occupier or other person who has control over or is in charge of a construction site.

Under section 38A of the Immigration Ordinance, a construction site controller should prevent (i) illegal immigrants from being on the construction site; and (ii) persons who are not lawfully employable, as defined under the Immigration Ordinance, from taking employment on the construction site.

Any construction site controller who contravenes section 38A of the Immigration Ordinance may be held liable upon conviction of a fine of HK\$350,000. However, it is a defense in proceedings for an offence under section 38A for the construction site controller to prove that it took all practicable steps to prevent illegal immigrants from being on the construction site and/or persons who are not lawfully employable from taking employment on the construction site.

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 as defined under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

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

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are 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. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (ii) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due). An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

REGULATORY OVERVIEW

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (equivalent to HK\$ 50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity 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 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.

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

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (equivalent to HK\$ 100,000) and imprisonment for 2 years.

REGULATORY OVERVIEW

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

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014). Industry Schemes (“**Industry Schemes**”) were established under the MPF scheme 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 eight 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; and
- (vii) gas, plumbing, drainage and associated works; and 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.

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

The Buildings Ordinance regulates the planning, design and construction of buildings and associated works. It provides that before the commencement of any building works: (i) prior approval and consent from the Building Authority must be obtained; (ii) authorised persons, such as architects, engineers and surveyors registered under the Buildings Ordinance, must be appointed to coordinate the works, prepare and submit plans for the approval from the Building Authority; (iii) registered professionals must be appointed to design and supervise the works; and (iv) registered contractors must be appointed to carry out the works.

REGULATORY OVERVIEW

Section 14(1) of the Buildings Ordinance provides that no person shall commence or carry out any building works, including site formation works and foundation works, without having obtained such prior approval and consent from the Building Authority and such proper appointments. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works and minor works) in any building are exempt from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

If the building works are within the purview of section 41(3) of the Buildings Ordinance, the works must further comply with the building standards specified in the relevant Building Regulations empowered under the Buildings Ordinance. The Buildings Ordinance further requires that any authorised person of the buildings works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

CONTRACTOR LICENSING REGIME

Approved Contractors List maintained by the Development Bureau

In order to tender for public sector projects, a contractor should be accepted on the Approved Contractors List maintained by the Development Bureau. The Approved Contractors List comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works; i.e. (1) “Buildings”, (2) “Port Works”, (3) “Roads and Drainage”, (4) “Site Formation” and (5) “Waterworks”. Although approvals granted by the Development Bureau are not subject to renewal, approved contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their respective category to maintain their status on the approved lists and for the award of public works contracts. The Development Bureau may take regulatory actions, such as removal, suspension and downgrading, against approved contractors under certain circumstances.

Audited accounts of the approved contractors are submitted to the Development Bureau annually (a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements set out by the Development Bureau. If an approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by the Development Bureau against such approved contractor.

Generally, there are three groups in each of the five major categories of building and civil engineering works (arranged in ascending order): Group A (except that there is no Group A in the port works and site formation categories), Group B and Group C. Each group has its particular tendering limits. The following table sets out the value of works for which contractors in the respective categories and statuses may tender in the capacity of a main contractor:

Category	Authorised contract value
Group A (probationary status)	Any number of Group A contracts in the same category, provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$100 million
Group A (confirmed status)	Contracts of value up to HK\$100 million

REGULATORY OVERVIEW

Category	Authorised contract value
Group B (probationary status)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$300 million
Group B (confirmed status)	Contracts of value up to HK\$300 million
Group C (probationary status) (<i>Note</i>)	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$700 million
Group C (confirmed status) (<i>Note</i>)	Contracts of any values exceeding HK\$300 million

Note: Group C contractors will normally not be allowed to tender for contracts in Group A and Group B

As at the Latest Practicable Date, Richwell Engineering is a contractor on the Approved Contractors List in the categories of Roads and Drainage (Group C (Probation)), and Site Formation (Group B (Probation)). Richwell CE is a contractor on the Approved Contractors List in the category of Roads and Drainage (Group B (Probation)).

A probationary contractor on the Approved Contractors List may apply to the Development Bureau for confirmation at any time provided that it has satisfactorily completed works appropriate to its probationary status in accordance with the criteria for confirmation under Appendix 2B of the Contractor Management Handbook.

For confirmation to Group B and Group C under the Roads and Drainage category, a probationary contractor is required to have, at the time of application, a record of satisfactory completion or execution (whichever is earlier) for two years as the main contractor of one roads and drainage works contract executed in Hong Kong within the past five years of a value over 70% of the limit for the applicable group.

Confirmation will also be subject to the contractor's ability to meet the prescribed requirements for financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and all other ways being considered suitable for confirmation.

Contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their respective category and group for admission and retention on the approved lists and for the award of public works contracts. Audited accounts of the approved contractors are required to be submitted to the Development Bureau annually, which may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the Development Bureau. If any approved contractor fails to meet the capital requirements as set out in a particular category, it will not be eligible to tender for any contract in that category. In the event that the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the Development Bureau against such approved contractor.

REGULATORY OVERVIEW

Building works

Under the current contractors registration system in Hong Kong, the Buildings Department keeps a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

The main contractors carrying out foundation and substructure construction works are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of foundation works category) with the Buildings Department in Hong Kong.

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

- (i) if it is a corporation, the adequacy of its management structure;
- (ii) the appropriate experience and qualifications of its personnel;
- (iii) its ability to have access to plants and resources; and
- (iv) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Buildings Department will consider the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorised signatory (the “**Authorised Signatory**”);
- (b) for a corporation, a minimum of one director from the board of directors of the applicant, hereinafter referred to as a “Technical Director” who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works, another officer as authorised by the board of directors shall be appointed to assist the Technical Director.

REGULATORY OVERVIEW

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff members to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Buildings Department that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance. During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was a registered general building contractor or registered specialist contractor and as such we did not appoint any Authorised Signatory or Technical Director.

SUBCONTRACTOR REGISTRATION SCHEME

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council. The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme.

Pursuant to a technical circular issued by the Works Branch of the Development Bureau on 14 June 2004 requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors registered from the respective trades available under the Voluntary Subcontractor Registration Scheme.

The Voluntary Subcontractor Registration Scheme was subsequently renamed to Subcontractor Registration Scheme. All subcontractors registered under the Voluntary Subcontractor Scheme have automatically become registered subcontractors under the Subcontractor Registration Scheme. Subcontractors which are involved in, among others, structural and civil works in Hong Kong including foundation and piling, may apply for registration as a subcontractor under the Subcontractor Registration Scheme.

On 1 April 2019, the Subcontractor Registration Scheme was subsequently renamed as the Registered Specialist Trade Contractors Scheme (the “**RSTCS**”) comprising two registers namely the Register of Specialist Trade Contractors (the “**RSTC**”) and the Register of Subcontractors (the “**RS**”). All references to the Subcontractor Registration Scheme shall be substituted by the RSTCS with effect from 1 April 2019.

All subcontractors who are registered under the seven trades namely demolition, concreting formwork, reinforcement bay fixing, concreting, scaffolding, curtain wall and erection of concrete precast component (the “**Designated Trades**”) of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as registered subcontractors.

THE PROPOSED SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY

The Development Bureau has launched a public consultation on the proposed Security of Payment Legislation for the construction industry that aims to improve payment terms and payment delays, encourage rapid dispute resolution and increase cash flow of operators in the construction industry. The Government will proceed with the legislative work with the aim of introducing the bill to the Legislative Council.

REGULATORY OVERVIEW

Under the proposed Security of Payment Legislation, contract parties have (i) the right to progress payments; (ii) the right to adjudication; and (iii) the right to suspend works for non-payment.

Under the current payment practices along the construction supply chain, many contracts include “pay when paid” or “pay when certified” clauses, where payment is conditional on the payer receiving payment from a third party or payment is contingent or conditional on the operation of another contract or agreement. This often resulted in actual durations taken for certification and settlement of progress payments and final account payments being longer than the due dates specified in contracts. Under the proposed legislation, parties undertaking construction activities or providing related services, materials and plant shall be entitled to claim a progress payment based on the value of their work, services or supply shall be based on any contract price or rates or other pricing agreed by the parties to the extent it can be reasonably applied or otherwise having regard to market rates or prices prevailing in the industry at the time the contract was entered into.

All parties undertaking construction activities or provide related services, materials and plant shall be entitled to claim progress payments (which shall include single, interim and final progress payments). Payment of an amount due must be made within 60 calendar days of an interim progress payment claim being made or within 120 calendar days respectively shall be deemed ineffective and unenforceable.

The proposed Security of Payment Legislation would also introduce adjudication as a means of resolving disputes relating to non-payment, value of works or extensions of time, allow parties to agree their own adjudicator, and impose a strict timetable upon the contract proposed legislation will carry an express provision for enforcement by allowing an adjudicator’s decision to be filed directly in court. Parties would be entitled to refer the matter to the court or arbitration if unsatisfied with the decision of the adjudicator.

The proposed legislation would provide parties with the right to suspend all or part of their works or to reduce the rate of progress in the event of non-payment, provided that notice is given to the principal contractor and site owner (if known). Parties whom suspend or slow down work due to non-payment would also have rights to extension of time and costs arising from the delay.

All contracts and sub-contracts, whether in written or oral form, for (i) government works, under which the Government and specified public entities procure construction and maintenance activities or related services, materials or plant; and (ii) private sector works, under which private entities procure construction activities for new buildings (as defined in the Buildings Ordinance) with a main contract value of over HK\$5 million or procure related services, material or plant or supply-only contracts with a contract value of over HK\$500,000, will be governed by the Security of Payment Legislation. Where the main contract is covered by the Security of Payment Legislations, (all sub-contracts irrespective of tier) will be covered by the Security of Payment Legislation regardless of value. The legislation will not apply to private sector construction works relating to new buildings with a main contract value of less than HK\$5 million or related services, material or plant supply-only contracts with a contract value of less than HK\$500,000.

The proposed legislation will not apply retrospectively but will apply only to contracts entered on or after a date to be set by or pursuant to the legislation.

Our Directors are of the view that the proposed Security of Payment Legislation will (i) lessen delays in progress payments from our customers, which will improve our cash disputes that may arise between us and our customers in a timely and cost-efficient manner, which will reduce the costs and time expended by our Group in handling disputes; and (ii) lessen the delays in performance by our Group that may arise as a result of non-payment or disputes through our supply chain, which will result in a reduction in disruptions in our Group’s operations and delays in performing our project works.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The nature of our business operations creates significant solid and chemical waste, and as a construction waste producer we are subject to the Waste Disposal Ordinance.

Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area of the lot on which the construction waste has been deposited does not exceed 20 sq.m.; or (ii) the sole or all of the owners of the private lot has given valid permission for the depositing of construction waste on the lot. Such permission must be in the specified form under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. Such acknowledgement must be submitted to the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

Any person who commits an offence under section 16, 16A or 16B of the Waste Disposal Ordinance 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 to imprisonment for 6 months for a second or subsequent offence; and 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 if the offence is a continuing offence.

The Construction Waste Disposal Charging Scheme has been established by the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong), pursuant to which all construction waste to be disposed of in government waste disposal facilities carry respective construction waste disposal charges. As a construction waste producer, we are required to, prior to using government waste disposal facilities, pay applicable charges for such disposal. Construction waste is defined as any substance, matter or thing that is generated from construction work and abandoned, whether or not it has been processed or stockpiled before being abandoned.

For contracts with a value of HK\$1 million or above, it is the duty of the main contractor who undertakes construction work under a particular contract, within 21 days of the award of the contract, to establish a billing account with the EPD in respect of that contract and pay the prescribed charges for construction waste generated from works thereunder. For contracts with a value less than HK\$1 million, any person, including a subcontractor, may establish the account and make arrangements for the disposal of construction waste.

Under the Waste Disposal (Chemical Waste) (General) Regulation, any waste producer who produces or causes chemical waste to be produced is required to register as a chemical waste producer with the EPD. Chemical waste must be properly packaged, labelled and stored by chemical waste producers before transportation to designated disposal facilities by a licensed chemical waste collector.

Prior notification must be given to the EPD by us as a waste producer of the chemical waste, and the disposal must be in accordance with the directions issued by the EPD specifying the appropriate disposal facility for the waste and the date and time when the delivery of such waste should be made. Any person authorised to be the applicant on our behalf as a body corporate who fails to register as a chemical waste producer commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

REGULATORY OVERVIEW

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong)

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes the Pneumoconiosis Compensation Fund, which consists of monies received from the government and the relevant levies, surcharges and penalties received from contractors in relation to pneumoconiosis and mesothelioma. The Pneumoconiosis Compensation Fund is administered by the Pneumoconiosis Compensation Fund Board, a statutory body responsible for assessing and collecting the imposed levies and compensating persons suffering from pneumoconiosis and/or mesothelioma and/or family members of persons who died of pneumoconiosis and/or mesothelioma.

Under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, we are required to pay a levy for any construction operations carried out by us in Hong Kong with a total value exceeding HK\$3 million, at a rate of 0.15% of the total value of the construction operations concerned.

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance and its subsidiary regulations regulate the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources in Hong Kong.

The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purposes of construction work, used for the conduct of any process specified in the Air Pollution Control Ordinance shall use the best practicable means for preventing the emission of noxious or offensive emissions from such premises.

In addition, the Air Pollution Control Ordinance requires that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of registered asbestos consultants. Any owner of premises which contain or may reasonably be suspected of containing asbestos containing material and/or who intends to carry out work which involves the use or handling of any asbestos containing material in the premises must engage a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan and monitor the implementation of the asbestos management plan and hire a registered asbestos contractor to implement the asbestos management plan and carry out the work.

Any owner of premises who fails to appoint a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan or monitor the implementation of the asbestos management plan commits an offence and is liable to a fine of HK\$200,000 and to a further fine of HK\$5,000 for each day during which it is proved that the offence has continued. Any owner of premises who fails to appoint a registered asbestos contractor to implement an asbestos abatement plan or carry out work commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months and to a further fine of HK\$20,000 for each day during which it is proved that the offence has continued.

Under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong), we are responsible, as a contractor for a construction site where notifiable work is proposed to be carried out, for giving notice to the EPD before the commencement of the work. Example of notifiable works include (i) site formation; (ii) reclamation; (iii) demolition of a building; (iv) construction of the foundation of a building; or (v) construction of the superstructure of a building.

REGULATORY OVERVIEW

It is the responsibility of the contractor for a construction site where a notifiable work is being carried out, to ensure that the work is carried out in accordance with the specified dust control requirements as under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong). A contractor under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) is defined as any person or firm engaged in carrying out construction work by way of trade or business, either on his own account or pursuant to a contract or arrangement entered into with another person or firm.

Any contractor who contravenes the notification requirement under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$25,000 for the first offence and to a fine of HK\$50,000 for a second or subsequent offence. Any contractor who contravenes the dust control requirements under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$50,000 for the first offence and to a fine of HK\$100,000 and to imprisonment for 3 months for a second or subsequent offence, and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day during which the offence continues.

However, notifiable works do not include certain types of construction works, such as renovation, maintenance and alteration work carried out entirely within the external walls and under the roof of a building, and do not require prior notification to the EPD before the commencement of the work or compliance with the specified dust control requirements.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under the Air Pollution Control (Construction Dust) Regulation, “construction work” includes but not limited to the construction, demolition and reconstruction of the whole or any part of any building or other structure, site formation, piling and extraction from the earth of any matter whatsoever. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” includes site formation, reclamation, demolition of a building; work carried out in any part of a tunnel that is within 100 m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of building or road construction work.

Under section 4 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulations (Chapter 311Z of the Laws of Hong Kong)

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“NRMM”), including non-road vehicles and regulated machines that are subject to the NRMM Regulation (the “**Regulated Machines**”).

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the NRMM Regulation.

REGULATORY OVERVIEW

Under section 5 of the NRMM Regulation, any person who uses or causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to the technical circular issued by the work branch of the Development Bureau on 8 February 2015 (“**Technical Circular**”), there is an implementation plan to phase out the use of four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) (the “**Implementation Plan**”) under which all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect/engineer designated by the government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the EPD in January 2015 (the “**LC Brief**”), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMs over four years in large-scale public work upon the enactment of the NRMM Regulation, although the LC Brief did not specify the contract sum of large-scale public work and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMs across the board.

As at the Latest Practicable Date, our Group has obtained approval or exemption for all Regulated Machines in accordance with the relevant requirement.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls the noise generated from construction, industrial and commercial activities. As a contractor, our Group is required to comply with the Noise Control Ordinance in carrying out general construction works. For construction activities that are to be carried out during restricted hours, construction noise permits are required from the EPD in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not permitted between 7 p.m. and 7 a.m. or at any time on general holidays, unless with a construction noise permit and the prior approval of the Noise Control Authority.

Any person who carries out noisy construction work without a construction noise permit commits an offence and shall be liable to a fine of HK\$100,000 on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence continues.

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance regulates, among other things, the discharge of wastewater generated from construction activities into sewers or elsewhere in Hong Kong. As our operations generate wastewater, our Group is required to observe and comply with the Water Pollution Control Ordinance.

Under the Water Pollution Control Ordinance, discharge of wastewater generated from construction activities into sewers or elsewhere is not permitted unless (i) the discharge is exempted by the EPD; (ii) a license has been issued by the EPD and the discharge complies with the terms and conditions of the license; or (iii) an application for the discharge has been made to the EPD and the applicant has not been notified of a refusal to grant a license.

REGULATORY OVERVIEW

Generally, the EPD shall grant a license for the discharge of wastewater generated from construction activities into sewers or elsewhere unless, for example, the discharge endangers or is likely to endanger public health or is likely to be harmful to the health or safety of any person engaged in the operation or maintenance of a drainage or sewerage system.

A license shall expire not less than 2 years after the day it was granted, and the Environmental Protection Department may renew any license for a period of less than 2 years, cancel or vary the license thereafter.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

The Public Health and Municipal Services Ordinance regulates, among other things, activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health.

Under the Public Health and Municipal Services Ordinance, the EPD may cause a nuisance notice to be served on any contractor of construction works if, for example, any premises on which the construction works are taking place has been found to be in such a state as to be a nuisance or injurious or dangerous to health, or if the emission of dust from any building under construction or demolition has been found to be in such a manner as to be a nuisance. The nuisance notice shall require the person on whom the notice is served to do what is necessary for preventing the recurrence of the nuisance and, if the EPD thinks it desirable, specify any works to be executed for that purpose.

Any person by reason of whose act, default or sufferance the nuisance arose or continues, or, if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises is found to be in such a state so as to be a nuisance and injurious to health, or where the emission of dust from any building under construction or demolition is found to be in such a manner so as to be a nuisance, to a fine of up to HK\$10,000 and a daily fine of HK\$200.

Additionally, any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance with a maximum penalty of 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, with a maximum penalty of HK\$10,000 upon conviction and a daily fine of HK\$200.

It is the responsibility of the contractor of construction works to observe and comply with the Public Health and Municipal Services Ordinance.

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The Environmental Impact Assessment Ordinance seeks to minimise and control the adverse impact that certain projects in Hong Kong, such as large-scale industrial activities, may have on the environment, through an environmental impact assessment process and environmental permit system prior to commencement of the operations.

Under the Environmental Impact Assessment Ordinance, designated projects must be (i) exempted by the EPD; or (ii) approved and an environmental permit has been issued by the EPD before commencement of the project. For the approval of a designated project which will cause limited impacts on the environment, an application for an environmental permit may be made directly with the EPD. For other projects, an application for an environmental permit made to the EPD must be accompanied with an environmental impact assessment report.

REGULATORY OVERVIEW

Any person who constructs or operates a designated project or decommissions a designated project without an environmental permit for the project or contrary to the conditions, if any, set out in the permit, could be held 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 for 2 years; (iii) on a first summary conviction to a fine at 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, a fine of HK\$10,000 for each day on which the offence has continued.

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

According to section 32 of the Construction Industry Council Ordinance, construction industry levy (“CIL”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the Construction Industry Council. “Construction operation” is exhaustively defined under Schedule 1 of the Construction Industry Council Ordinance, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

After July 2018, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the Construction Industry Council Ordinance) concerned. Pursuant to section 32 and Schedule 5 of the Construction Industry Council Ordinance, no CIL is chargeable for any construction operations not exceeding HK\$3,000,000.

OTHERS

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

Effective since 14 December 2015, the Competition Ordinance prohibits conduct that prevents, restricts or distorts competition in Hong Kong and provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among others, the First Conduct Rule to prohibit anti-competitive conduct involving more than one party.

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conducts include (i) fixing, maintaining, increasing or controlling the price of the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

Penalties that the Competition Tribunal may impose for contraventions of the competition rule include pecuniary penalties, award of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a ‘single contravention’ can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission’s investigation.

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE HISTORY

Our history can be traced back to 1993, when Richwell Engineering commenced business under the management of Mr. KK Tsui, founder of our Group and Mr. Wong Yu, former shareholder and an Independent Third Party, to undertake civil engineering works. Since our establishment in 1993, we have gained experience and built up our project management and technical expertise by completing a variety of civil engineering and construction projects. In 2007, Mr. KK Tsui became the sole shareholder of Richwell Engineering. In the same year, Mr. Ian Tsui, son of Mr. KK Tsui and Chief Executive Officer, joined our Group and contributed his knowledge and experience in civil engineering. Since then, our Group further expanded over the years by incorporating Richwell CE in 2009 and Time Concept in 2014, with the aim of further expanding our Group's scope of operations.

Throughout the years, we have participated in a number of large scale infrastructure projects including the development of Penny's Bay in 2001, the back span construction of Stonecutters Bridge in 2006, and stage 1 of Kai Tak Development in 2009. We have also successfully obtained a number of qualifications and licences. As at the Latest Practicable Date, Richwell Engineering is a contractor on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)) and Roads and Drainage (Group C (Probation)). Richwell CE is a contractor on the Approved Contractor List in the category of Roads and Drainage (Group B (Probation)).

Currently, we are a specialist in engaging in civil engineering projects which can be broadly classified into roads and drainage works or site formation works. In addition, we also offer building works as a subcontractor.

IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestones and achievements in the business development of our Group:

Year	Event
1993	Richwell Engineering commenced its operation of undertaking construction engineering works in Hong Kong
2006	Richwell Engineering was awarded the role as subcontractor in the back span construction of the Stonecutters Bridge project with initial contract value exceeding HK\$120 million
2007	Richwell Engineering was admitted as an approved contractor on the Approved Contractors List in the category of Site Formation under Group B (Probation)
2009	Richwell CE commenced its operation of undertaking construction engineering works in Hong Kong
	Richwell Engineering (as one of the partners in the consortium with Build King Group) was awarded the role as main contractor in stage 1 of the Kai Tak Development project with initial contract value exceeding HK\$120 million. Since then, our Group were awarded a number of large projects in the Kai Tak Development as both the main contractor and subcontractor and up to the Latest Practicable Date, 2 projects at the Kai Tak Development area are still ongoing

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
	Richwell Engineering was admitted as an approved contractor on the Approved Contractors List in the category of Roads and Drainage under Group B (Probation)
2013	Richwell Engineering was awarded the role as sole main contractor in the Yuet Wah Street Pedestrian Linkage project
2014	Time Concept commenced its operation of undertaking construction subcontracting works in Hong Kong
	Richwell Engineering was promoted to Group B (Confirmed) on the Approved Contractors List in the category of Roads and Drainage
2016	Richwell Engineering was promoted to Group C (Probation) on the Approved Contractors List in the category of Roads and Drainage
2018	Richwell CE was admitted as an approved contractor on the Approved Contractors List in the category of Roads and Drainage under Group B (Probation)
2019	Richwell Engineering (as one of the partners with Build King Group) was awarded the role as main contractor in Kwu Tung North New Development Area project with initial contract value exceeding HK\$770 million

OUR GROUP

Our Company has three direct subsidiaries incorporated in the BVI and three indirect subsidiaries incorporated in Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 July 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On 31 July 2018, one fully-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to New Brilliance on the same day.

Immediately after completion of the Reorganisation, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiaries of our Company, namely Richwell Engineering, Richwell CE and Time Concept.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR SUBSIDIARIES

Set out below are the subsidiaries that made material contributions to our Group during the Track Record Period:

Richwell Engineering

Richwell Engineering was incorporated in Hong Kong with limited liability on 20 May 1993 with an issued share capital of HK\$2.00 in which one (1) share of HK\$1.00 each was allotted and issued to the two initial subscribers at nominal value, respectively, each of the initial subscriber being an Independent Third Party. On 15 July 1993, the initial subscribers transferred two (2) shares, being the entire issued share capital of Richwell Engineering, as to one (1) and one (1) share to Mr. KK Tsui and Mr. Wong Yu, respectively, at nominal value. On 3 November 1997, 50,999 shares and 48,999 shares were allotted and issued to Mr. KK Tsui and Mr. Wong Yu at nominal value, respectively. As Mr. Wong Yu decided to develop his own business, on 5 January 2007, he transferred his entire shareholding representing 49% of the issued share capital in Richwell Engineering to Mr. KK Tsui at consideration of HK\$49,000. Upon the aforesaid share transfer, Mr. KK Tsui became the sole shareholder of Richwell Engineering.

On 16 March 2007, 3,600,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. On 10 August 2009, 500,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. On 3 June 2014, 5,900,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. On 7 October 2015, 2,000,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. On 19 February 2016, 2,700,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. On 8 February 2018, 900,000 shares of HK\$1.00 each were allotted and issued to Mr. KK Tsui at nominal value. Immediately prior to the Reorganisation, Mr. KK Tsui held 15,700,000 fully-paid shares in Richwell Engineering, representing its entire issued share capital.

Richwell Engineering is principally engaged in construction engineering works.

Richwell CE

Richwell CE was incorporated in Hong Kong with limited liability on 14 July 2009 with an issued share capital of HK\$10,000. On the same date, 10,000 shares of Richwell CE were allotted and issued to Mr. KK Tsui at nominal value. On 8 February 2018 and 4 May 2018, 5,190,000 shares and 4,000,000 shares in Richwell CE were allotted and issued to Mr. KK Tsui at nominal value, respectively. Immediately prior to the Reorganisation, Mr. KK Tsui held 9,200,000 shares in Richwell CE, representing its entire issued share capital.

Richwell CE is principally engaged in construction engineering works.

Time Concept

Time Concept was incorporated in Hong Kong with limited liability on 23 October 2014. On 23 October 2014, 10,000 shares of HK\$1.00 each were allotted and issued to the initial subscriber and subsequently transferred to Mr. KK Tsui on 28 October 2014 at nominal value. Immediately prior to the Reorganisation, Mr. KK Tsui held 10,000 shares in Time Concept, representing its entire issued share capital.

Time Concept is principally engaged in the provision of subcontracting services for construction works.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation through the following major steps:

1. Incorporation of New Brilliance, Lion Brave, Sheen Cedar and Lofty Wisdom

On 2 January 2018, 20 April 2018, 23 April 2018 and 23 April 2018, New Brilliance, Lion Brave, Sheen Cedar and Lofty Wisdom was each respectively incorporated in the BVI with limited liability and each authorised to issue a maximum of 50,000 shares of US\$1.00 par value of a single class each, respectively. One (1) fully-paid share in each of New Brilliance, Lion Brave, Sheen Cedar and Lofty Wisdom (representing all the issued share of each of the aforementioned companies) was allotted and issued at par to Mr. KK Tsui on 21 June 2018, respectively.

2. Incorporation of our Company

On 31 July 2018, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On 31 July 2018, one fully paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to New Brilliance on the same day.

3. Acquisition of Richwell Engineering, Richwell CE and Time Concept by Lion Brave, Sheen Cedar and Lofty Wisdom respectively

- (i) On 21 November 2018, Mr. KK Tsui, as vendor, and Lion Brave, as purchaser, entered into a sale and purchase agreement, pursuant to which Lion Brave acquired 15,700,000 shares in Richwell Engineering, representing the entire issued share capital in Richwell Engineering, from Mr. KK Tsui in consideration of which Lion Brave allotted and issued 99 shares, credited as fully paid, in Lion Brave to Mr. KK Tsui. Upon the acquisition, Richwell Engineering became a direct wholly-owned subsidiary of Lion Brave.
- (ii) On 21 November 2018, Mr. KK Tsui, as vendor, and Sheen Cedar, as purchaser, entered into a sale and purchase agreement, pursuant to which Sheen Cedar acquired 9,200,000 shares in Richwell CE, representing the entire issued share capital in Richwell CE, from Mr. KK Tsui in consideration of which Sheen Cedar allotted and issued 99 shares, credited as fully paid, in Sheen Cedar to Mr. KK Tsui. Upon the acquisition, Richwell CE became a direct wholly-owned subsidiary of Sheen Cedar.
- (iii) On 21 November 2018, Mr. KK Tsui, as vendor, and Lofty Wisdom, as purchaser, entered into a sale and purchase agreement, pursuant to which Lofty Wisdom acquired 10,000 shares in Time Concept, representing the entire issued share capital in Time Concept, from Mr. KK Tsui in consideration of which Lofty Wisdom allotted and issued 99 shares, credited as fully paid, in Lofty Wisdom to Mr. KK Tsui. Upon the acquisition, Time Concept became a direct wholly-owned subsidiary of Lofty Wisdom.

HISTORY, DEVELOPMENT AND REORGANISATION

4. Acquisition of Lion Brave, Sheen Cedar and Lofty Wisdom by New Brilliance

On 21 November 2018, Mr. KK Tsui, as vendor, and New Brilliance, as purchaser, entered into sale and purchase agreements, pursuant to which New Brilliance acquired 100 shares each in Lion Brave, Sheen Cedar and Lofty Wisdom respectively, representing all the issued shares of each company, from Mr. KK Tsui in consideration of which New Brilliance allotted and issued an aggregate of 99 shares, credited as fully paid, in New Brilliance to Mr. KK Tsui. Upon the acquisition, Lion Brave, Sheen Cedar and Lofty Wisdom became direct wholly-owned subsidiaries of New Brilliance.

5. Acquisition of Lion Brave, Sheen Cedar and Lofty Wisdom by our Company

On 21 September 2020, our Company acquired the all the issued shares of Lion Brave, Sheen Cedar and Lofty Wisdom, respectively, from New Brilliance (as vendor and warrantor) in consideration of which our Company allotted and issued 9,999 Shares, credited as fully-paid, to New Brilliance. After the aforesaid transaction, our Company became the holding company of Lion Brave, Sheen Cedar and Lofty Wisdom.

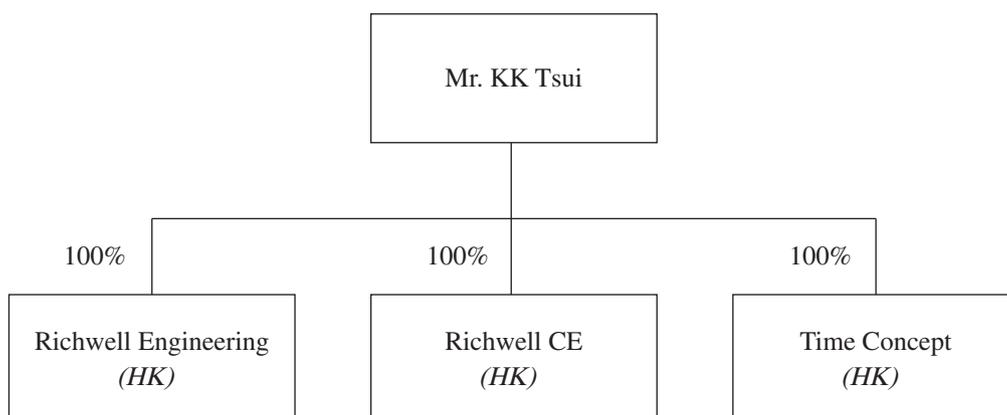
6. Capitalisation Issue and Share Offer

On 21 September 2020, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 9,962,000,000 shares of par value HK\$0.01 each in order to be positioned to allot and issue (i) 1,279,990,000 Shares to the sole Shareholder of our Company; and (ii) 320,000,000 new Shares for the Share Offer.

Our Company will offer 40,000,000 new Shares under the Public Offer for subscription by the public of Hong Kong and 360,000,000 Placing Shares under the Placing, comprising 280,000,000 new Shares for subscription by professional, institutional or other investors and 80,000,000 Sale Shares offered by the Vendor for sale to professional, institutional or other investors, representing a total of 25% of the enlarged share capital of our Company upon Listing.

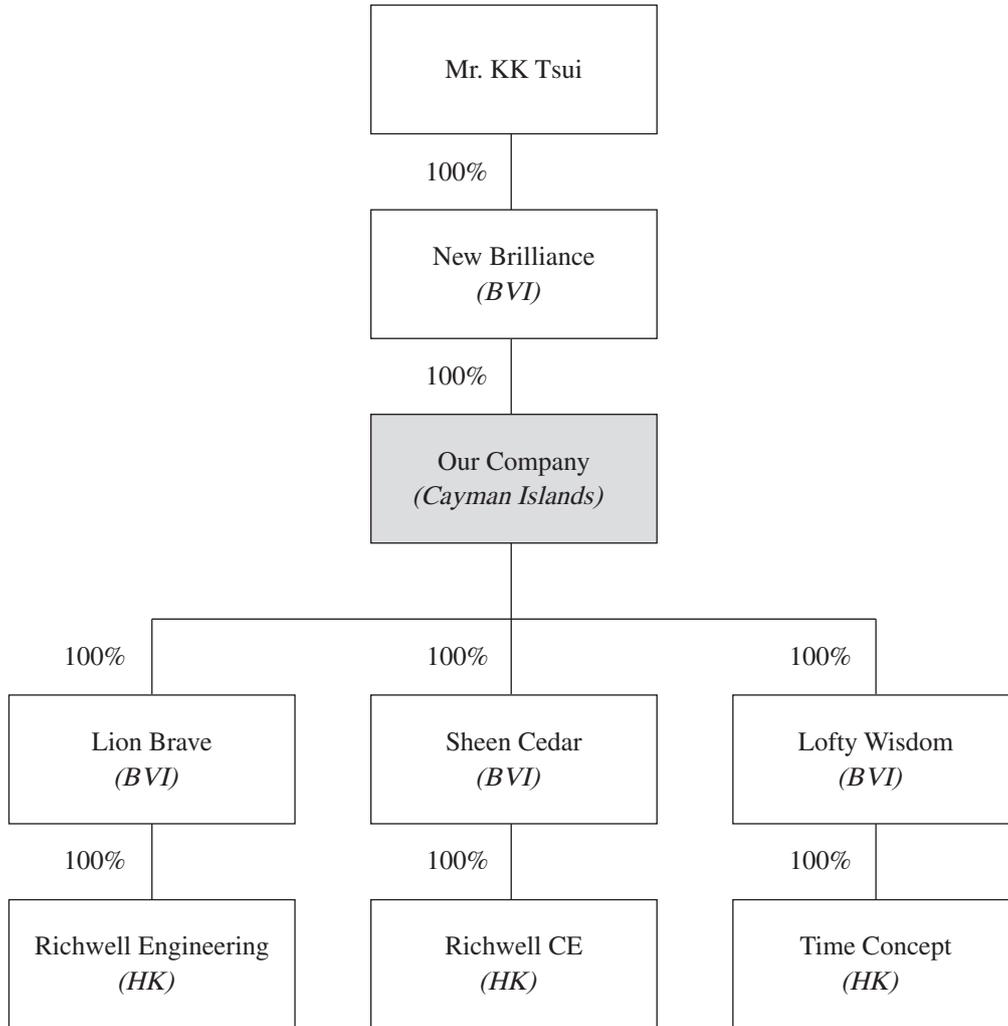
THE CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:



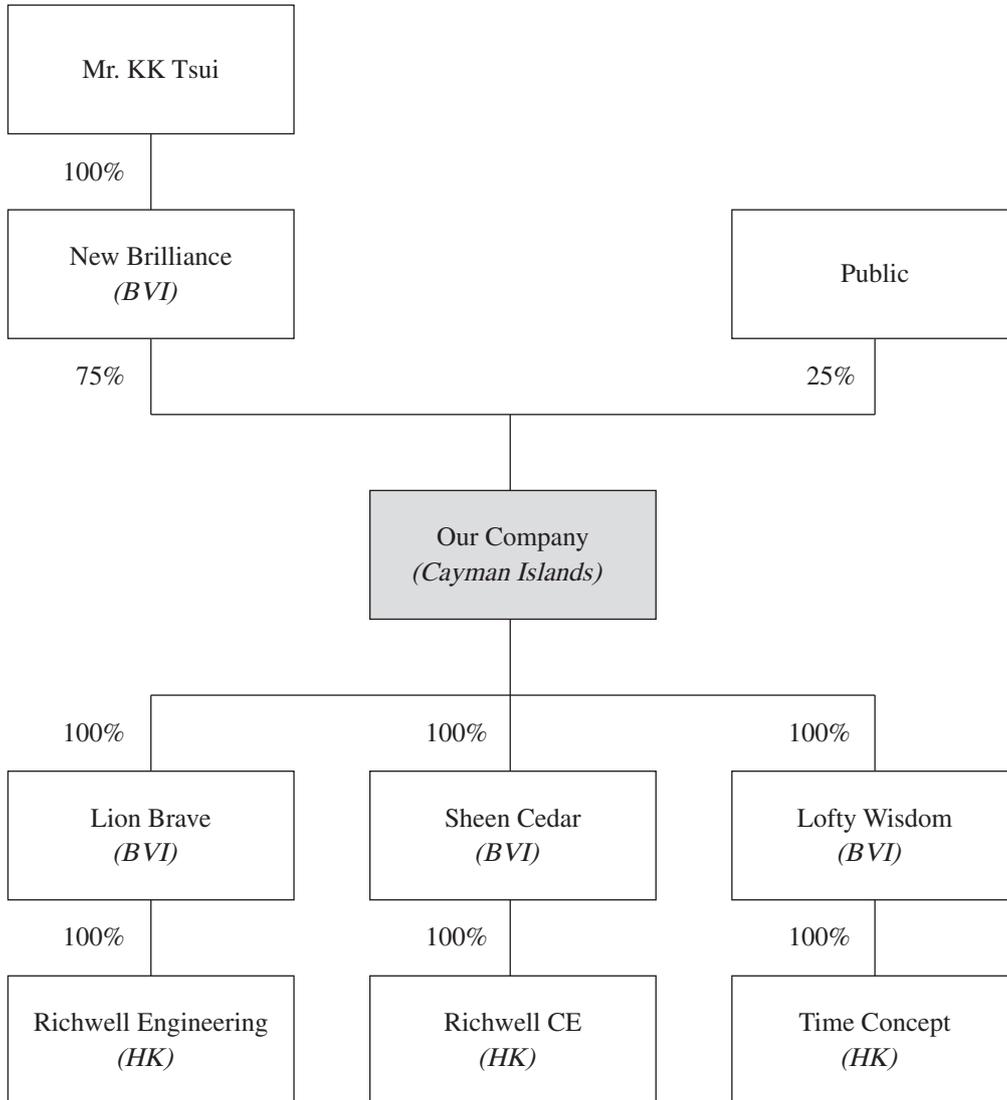
HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer:



BUSINESS

OVERVIEW

We are a contractor having a long history of undertaking construction works in Hong Kong. We started our business in 1993 and have accumulated more than 26 years of solid track record in the construction industry in Hong Kong. We are able to undertake civil engineering works as either a main contractor or a subcontractor. During the Track Record Period, we focused on civil engineering projects, some of which were large scale. Our civil engineering projects can be broadly classified as roads and drainage works and site formation works. We also offered building works and we were the subcontractor of one structural works project in a university in Hong Kong. During the Track Record Period, we were awarded four building works projects. We are registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)), which enable us to directly tender for public works contracts in these works categories with various range of contract sums. Richwell Engineering, Richwell CE and Time Concept are also registered as registered subcontractors under the Subcontractors Registration Scheme of the Construction Industry Council. Our Directors believe that the Listing will facilitate our long term business growth including taking up more large scale civil engineering projects and our short term target is the promotion from Roads and Drainage (Group B (Probation)) to (Group B (Confirmed)) and from Roads and Drainage (Group C (Probation)) to (Group C (Confirmed)). The promotion will not only enable our Group to undertake more projects in the respective groups and category of works and allow our Group to execute more large scale projects as the main contractor, but will also facilitate our subcontractor business. In the future, our Group will continue to undertake both main contractor and subcontractor projects.

The following tables set forth a breakdown of our revenue by types of works, our role as main contractor or subcontractor and by sectors during the Track Record Period:

	2016		2017		2018		2019		2020	
	HKS'000	%								
Civil engineering works	401,083	100.0	685,551	99.9	477,731	99.1	496,609	93.8	494,960	81.2
Building works	161	0.0	612	0.1	4,512	0.9	33,069	6.2	114,235	18.8
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

	2016		2017		2018		2019		2020	
	HKS'000	%								
Public sector	390,393	97.3	685,551	99.9	461,753	95.8	480,772	90.8	449,026	73.7
Private sector	10,851	2.7	612	0.1	20,490	4.2	48,906	9.2	160,169	26.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

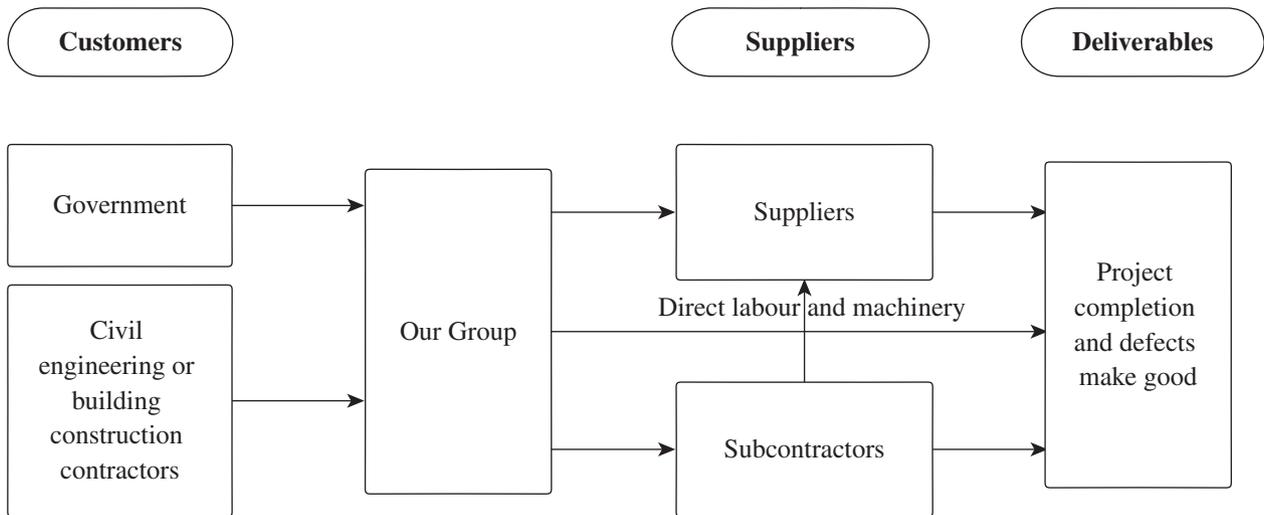
	2016		2017		2018		2019		2020	
	HKS'000	%								
Main contractor (Note)	115,054	28.7	143,403	20.9	177,658	36.8	199,082	37.6	199,179	32.7
Subcontractor	286,190	71.3	542,760	79.1	304,585	63.2	330,596	62.4	410,016	67.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

Note: Main contractor includes the projects to which the main contractor is a joint venture of which our Group is one of the joint venture owners.

BUSINESS

During the Track Record Period, we undertook works in an aggregate of 30 civil engineering projects and 4 building works projects. Of these 34 projects, 10 were carried forward prior to the Track Record Period and 6, 1, 3, 9 and 5 project(s) were awarded to our Group for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

We secure our projects mainly from construction main contractors and the Government, after going through a competitive bidding process whereby we either (i) are invited or selected by potential clients to submit quotation or tender; or (ii) submit our bid in response to tender information and invitation published in the Gazette and the websites of various departments of the Government either by ourselves or by forming a consortium or joint venture with other main contractor(s). The following diagram summarises our business model:



According to the Ipsos Report, the civil engineering works industry in Hong Kong is relatively concentrated, with the top 5 players accounting for approximately 37.3% of the total industry revenue in 2019. It is estimated that the market share of our Company in the civil engineering works industry in Hong Kong was approximately 1.0% in 2019.

As at the Latest Practicable Date, we have 21 civil engineering and 3 building works projects on hand (including projects in progress and projects yet to commence), all of which are ongoing.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths that distinguish our Group and set us apart from our competitors:

We are long established and have solid experience in undertaking large scale construction projects

We commenced construction operations in Hong Kong in 1993 and have more than 26 years of experience of undertaking civil engineering works and building construction works. Over the years, we participated in a number of large scale projects, including the construction of Stonecutters Bridge, certain of the Ten Major Infrastructure Projects and the Hong Kong International Airport expansion.

During the Track Record Period, we undertook several contracts for the construction of the Central-Wan Chai Bypass and Island Eastern Corridor Link project, including the construction of concrete structures of the tunnel section that connects ex-Wan Chai Public Cargo Working Area and Causeway Bay Typhoon Shelter and in North Point, a few contracts for the infrastructure works at the Kai Tak Development Area, the southern connection viaduct section of the Tuen Mun – Chek Lap Kok Link and the concrete works at the Scenic Hill Hong Kong Boundary Crossing Facilities of the Hong Kong-Zhuhai-Macau Bridge and North East New Territories New Developments Areas. We were engaged as a subcontractor for the MTR Corporation Limited's contract no. 1112 of the Shatin to Central Link for the Cheong Wan Road – Superstructure and roadworks for a subcontract price of approximately HK\$19.5 million (Job 7), but we were not responsible for reinforcement fixing works and the project did not form part of or was not related to the diaphragm wall and platform slab construction works at the Hung Hom Station Extension where steel reinforcement fixing works raised concerns about public safety. Our direct customer for Job 7 was Customer E, which is one of the joint venture owners of the main contractor (Customer L) of the contract no. 1112, Customer L engaged our Group as a subcontractor in two projects, namely Job 19 and Job 31, in September 2017 and June 2019 with an initial contract sum of approximately HK\$78.6 million and HK\$108.6 million, respectively. The projects that were known as Ten Major Infrastructure Projects contributed revenue of approximately HK\$286,107,000, HK\$551,471,000, HK\$331,799,000, HK\$296,388,000 and HK\$264,091,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

We target to undertake large scale construction projects, as securing these projects offers us predictability of revenue and, due to the longer project period which usually crosses two or more years, large projects also facilitate us to plan our resources and manpower for performing the project works effectively. Undertaking large scale projects would also assist to differentiate ourselves from smaller contractors in the highly competitive and fragmented construction industry in Hong Kong. In addition, we also pride ourselves on our ability to tackle complicated technical issues, which expectedly occur from time to time in large projects. We believe that our success records of undertaking large projects offer our customers extra confidence and satisfaction and also give us a competitive edge in pursuing new opportunities.

While being a main contractor may not shift all the responsibilities to the subcontractors, our Group has measures to manage the risks of overseeing the overall project execution and quality by selecting subcontractors from an approved list and entering into legally enforceable subcontracting agreements with our subcontractors with respect to their due performance of subcontracted works.

We have an experienced, stable and highly dedicated management team and a team of personnel with good academic background and qualification for project execution

Our management team is highly experienced with many years of operational and construction management expertise and practical experience in the construction industry in Hong Kong. Mr. KK Tsui, our Chairman and executive Director, has over 40 years of experience in the construction industry, is in charge of overall daily site operation and has wide business network with our customers. Mr. Ian Tsui, our executive Director, has over 11 years of construction experience. Both Mr. KK Tsui and Mr. Ian Tsui take an extensively hands-on approach in supervising construction works, controlling subcontracting and procurement, formulating tender strategies, and building development strategies. Each of the members of our senior management team, namely Mr. Law Kwong Shun, Mr. Tsui Ying Yin and Mr. Wong Kin Bui, have in-depth industry knowledge and are highly experienced with approximately 30, 11 and 26 years of practical experience, respectively, in the construction industry. In addition, we also count on the contribution and professionalism of our project management team, of whom a number of team members have either completed tertiary education or above or have obtained recognised professional qualifications such as chartered engineers. Our management team enables our Group to evaluate construction costs of a project, formulate competitive tenders, arrange resources for project execution, supervising and ensuring quality of works. For details of the qualification and experience of our Directors and senior management team, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus. Our Directors believe that our management team’s experience and extensive knowledge in the construction industry would sharpen our competitiveness, streamline our operations and lead our Group to achieve better results.

We emphasise timeliness for completion of projects

Our success is founded on our vigorous efforts to complete projects on time. Our Directors emphasise strongly the importance of tight progress management of a project. Once the works programme is formulated, we spare no effort to catch up with the progress. We are able to arrange extra labour and machinery to speed up works in case progress falls behind schedule. We work with credible and supportive subcontractors which have stable working relationship with our Group and are able to meet our demands. We also maintain control of our projects by not subcontracting project management or all of the works to any single subcontractor. During the Track Record Period, we did not experience any delay in our projects that resulted in our customers charging liquidated damage against us.

Our Directors believe that other than price, the ability to complete projects and complete them on time is one of the crucial attributes considered by our customers who consider engaging us. We have regular progress meetings with our customers to update them the progress of our works and keep them assured that we will complete the works within the allowed time frame. We will strengthen our project management team to stay competitive and continue to deliver timely progress.

We have long-standing customer relationships

We have established stable business relationship with our major customers and some of our major customers are leading and reputable in the construction industry in Hong Kong. We have maintained business relationships with our major customers for as long as 11 years. Our major customers are comprised of Government departments and active main contractors in Hong Kong. We treasure the opportunities offered by our customers and aim to establish mutually beneficial relationships with them and to reinforce their confidence which would be taken into account by them in their future referrals of business opportunities to our Group. Riding on our credibility and unwavering efforts to complete projects and on time, one of our major customers, Build King Group, which is a reputable contractor in Hong Kong, developed a close relationship with us and we have established joint ventures to tender for a number of large scale civil engineering projects and execute the projects as a main contractor. The first joint venture formed between Build King Group and our Group dates back to 2009.

BUSINESS

In addition, we possess a wide range of licenses for undertaking civil engineering works. We are on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)). We are able to undertake roads and drainage and site formation in the public sector as a main contractor and for roads and drainage public works, we are eligible to tender for projects of different scales as well, with value of contract up to HK\$700 million.

Besides acting as a main contractor, we also act as a subcontractor in some construction projects and we possess the labour, machinery and equipment to undertake certain construction works ourselves. Our Directors are of the view that being both main contractor and subcontractor in effect diversifies our income generating capacity and enlarges our customer base. We will continue to leverage on this competitive strength to expand both our main contractor and subcontractor business.

OUR BUSINESS STRATEGIES

Achieving sustainable growth in our business is central to our business objective and in doing so, we plan to adopt the following strategies:

Undertake more large scale civil engineering projects as the main contractor

We target to apply to the Secretary for Development for confirmation status for the Roads and Drainage category in which we are on probationary status under Group B and Group C, held under Richwell CE and Richwell Engineering, respectively, by undertaking large scale roads and drainage projects to satisfy the contract completion criteria for confirmation. According to the Contractor Management Handbook, a probationary contractor may apply for confirmation in writing to the Secretary for Development when he has satisfactorily completed works appropriate to his probationary status in accordance with the criteria for confirmation. For confirmation to Group B or Group C under the Roads and Drainage category, the probationary contractor should have a record of satisfactory completion or execution (whichever is earlier) for two years as the main contractor of one roads and drainage works contract executed in Hong Kong within the past 5 years of value over 70% of the limit for Group B (Probation) or 70% of probation limit for Group C (Probation), which is currently HK\$300 million and HK\$700 million, respectively. During the year ended 31 March 2020 and up to the Latest Practicable Date, we had been awarded with one project (Job 33) that should satisfy the confirmation requirements of Group C for Richwell Engineering and awarded with one project (Job 39) that should satisfy the confirmation requirements of Group B for Richwell CE. The confirmation on Group B and Group C status will allow our Group to tender for any number of contracts in the respective group and category of works provided that the contract value falls within the limit of the respective group. As the probationary status restricts our ability to undertake more projects as the main contractor, our Directors believe that application for confirmation will be our first step to business expansion. Consistent with our past experience, completing main contractor projects is effective in establishing our reputation, which will also facilitate our marketing for subcontractor projects. It is our objective to focus on large scale civil engineering projects with contract value exceeding HK\$100 million, and in order to develop our business further, we aim at undertaking more such large scale projects as main contractor. It is more likely for large scale projects to involve a wider range of work scopes and larger quantity and more types of construction materials. When we are one of the joint main contractors, it may be the case that working capital is committed in the joint venture account, payments received from the employer may also be held in such account and cannot be quickly deployed in other projects. Accordingly, we expect that working capital commitment will be heavier by focusing on more large scale projects as the main contractor or a joint main contractor.

According to the Chief Executive's 2018 Policy Address, Honourable Carrie Lam announced the "Lantau Tomorrow Vision" that covers the development areas at the artificial islands near Kau Yi Chau and Hei Ling Chau to be supported by a new set of transport networks connecting various development areas. The 2018 Policy Address stated that the "Lantau Tomorrow Vision" will involve implementation of a number of major infrastructure projects in the coming decades and will be the priority area of the current-term Government. In addition, according to the 2019 Policy Address, the reclamation in the Central Waters under the "Lantau Tomorrow Vision" will create a vast area of new land for comprehensive planning, which will serve as an important measure of land production in the medium to long term. If the Government's plan were to be implemented as it wished, despite the controversies in society at present, our Directors note the potential construction business opportunities, such as large scale civil engineering and infrastructure projects, expected to arise from the "Lantau Tomorrow Vision", and believe that the confirmation to Group B and Group C in the Roads and Drainage category will be relevant to prepare our Group to undertake more public works projects as the main contractor and the completion of main contractor projects is effective in establishing our reputation, which also facilitates our marketing for subcontractor projects. We will also actively pursue tenders available in the public sector.

Develop our business further in building construction

During the Track Record Period, building construction has not contributed significantly to our revenue. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, revenue from building works amounted to approximately HK\$161,000, HK\$612,000, HK\$4,512,000, HK\$33,069,000 and HK\$114,235,000, or 0.0%, 0.1%, 0.9%, 6.2% and 18.8% of total revenue, respectively. Riding on our ability to build complex concrete or steel structures in infrastructure projects, our Directors are confident that our Group will continue to be invited for tendering building works projects.

Expanding in the building construction field is our second step of business development and sustainable growth. In response to the need to cope with the huge demand for housing, land, healthcare services and community infrastructure development, we believe that there will be plenty of opportunities arising from the building construction sector and it will be another growth driver. Besides, given the similarity between the method of constructing structures for civil engineering and building projects, we can diversify our income sources or mitigate the risk of slowing industry growth by broadening our work scope.

Acquire machinery to enhance our capacity and improve our profitability

Our operations involve heavy use of machinery and equipment. Throughout the Track Record Period, we owned a number of machinery and equipment, including excavators, crawler cranes, dumping lorries with and without grab, diesel generators, air compressors, etc. Our Directors believe that owning machinery can expand our productivity, lower machinery rental expenses, reduce the reliance on subcontractors. Based on the construction projects currently on hand, we anticipate the acquisition of additional crawler cranes, excavators and truck mounted concrete pumps will facilitate our project implementation and these machinery will likely be deployed in similar projects we would intend to bid in the future as our Directors confirm that these machinery and equipment are common and expect they will be increasingly used in our civil engineering projects as well as new building projects. To establish our Group as a significant player in the building works industry, owning sufficient number of relevant machinery will appeal to our customers and convince them that we are able to complete the works.

Acquisition of plant and machinery will be one of our primary strategies and we intend to utilise the net proceeds from the Share Offer in the amount of approximately HK\$18.9 million (assuming the mid-point of the Offer Price range) to finance the proposed acquisition of the machinery, details of which are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

BUSINESS

Adhere to prudent financial management to ensure optimal finance costs and capital sufficiency

Our Directors believe that the expansion of capacity and business growth have to be implemented with sound financial position and sufficient financial resources. A strong capital base would be essential to cope with increased capacity and support capital intensive projects. It is common in the construction industry that contractors incur upfront costs in construction projects to complete works before progress payment is received. We have managed our capital and cash position prudently and believe that we have a good reputation in settling our liabilities and payments to our suppliers and subcontractors in a timely manner. We have also used our best endeavours to collect amounts due to us from our debtors or customers efficiently to avoid liquidity problem. During the Track Record Period, the business of our Group was financed by internal resources, advance from our Controlling Shareholder and other bank borrowings. After the Listing, we will continue to monitor our liquidity position and assess the funding requirements of each project. In particular, our Directors expect to utilise a portion of the net proceeds from the Share Offer to fund the initial working capital needs of our Group's existing civil engineering projects and a building construction project which we will actively bid for. Our Directors are of the view that the Share Offer will strengthen our financial position and allow our Group to undertake more sizeable projects in existing and new areas.

OUR BUSINESS OPERATIONS

We principally provide civil engineering works which can be broadly categorised as (i) roads and drainage works; and (ii) site formation works. We also perform building works.

Civil engineering works

We act as both main contractor and subcontractor in civil engineering works in accordance with the instructions, drawings and specifications as provided by our customers. Civil engineering in Hong Kong commonly refers to the construction of various infrastructures, construction of foundations, landslip prevention and slope works, site formation, roads and drainage works, waterworks and port works. Our civil engineering projects come mainly from the public sector, but we also undertake projects in the private sector. The following set out description of the major categories of civil engineering works that we performed during the Track Record Period:

Roads and drainage works

Our roads and drainage works typically include construction of trunk roads, carriageway, bridges, tunnels and modification of existing roads. Associated roads and drainage works include footpaths, construction of noise barriers, amenity areas, earth retaining structures, drainage works, water works, utilities works, landscaping works, laying of pipes and manhole construction. Major materials for construction of roads and drainage are concrete, plywood, timber, reinforcement, scaffold, structural steel, bituminous materials, sand, concrete or plastic pipes.

BUSINESS

Set out below are the main types of our roads and drainage works:



Construction of roads and bridges



**Construction of
Barrier-free facilities at footbridges**



Construction of drainage systems

Site formation

Site formation works are performed to prepare a piece of land in order to (i) accommodate buildings or other facilities which will be constructed within the area of the land; (ii) form the land to the required orientation, shape or levels; and (iii) provide the required support infrastructures, including access roadways, drainage and related services. Site formation works generally involve the clearance of construction site, demolition of existing structures, reduction and stabilisation of existing slopes, and associated works such as construction of roads and drainage network. Site formation works also include the establishment of fill tank for the storage of public fill materials arising from construction activities.

BUSINESS



Formation of site area

Building works

During the Track Record Period and up to the Latest Practicable Date, we were awarded four building works projects as a subcontractor for the structural work of pile cap and lift shaft for a university in Hong Kong, structural steel works and transportation and heavy lifting works in Hong Kong International Airport and concrete structural works for buildings in Tuen Mun-Chek Lap Kok Link.

OUR PROJECTS

The following table sets forth a breakdown of our revenue by types of works during the Track Record Period:

	2016		2017		For the year ended 31 March 2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Civil engineering works	401,083	100.0	685,551	99.9	477,731	99.1	496,609	93.8	494,960	81.2
Building works	161	0.0	612	0.1	4,512	0.9	33,069	6.2	114,235	18.8
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

The following table sets forth a breakdown of our revenue derived from the public or private sector during the Track Record Period:

	2016		2017		For the year ended 31 March 2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	390,393	97.3	685,551	99.9	461,753	95.8	480,772	90.8	449,026	73.7
Private sector	10,851	2.7	612	0.1	20,490	4.2	48,906	9.2	160,169	26.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

BUSINESS

Projects as main contractor and as subcontractor

We carry out our works either as a main contractor or a subcontractor. The table below sets out a breakdown of our Group's revenue by the role as a main contractor or subcontractor during the Track Record Period:

	2016		2017		For the year ended 31 March 2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor (Note)	115,054	28.7	143,403	20.9	177,658	36.8	199,082	37.6	199,179	32.7
Subcontractor	286,190	71.3	542,760	79.1	304,585	63.2	330,596	62.4	410,016	67.3
Total	401,244	100.0	686,163	100.0	482,243	100.0	529,678	100.0	609,195	100.0

Note: Main contractor includes the projects to which the main contractor is the joint venture of which our Group is one of the joint venture owners.

The following table sets out the number of projects that were awarded to our Group during the Track Record Period and the corresponding amount of initial contract sum or awarded amount:

	For the year ended 31 March					From 1 April 2020 up to the Latest Practicable Date
	2016	2017	2018	2019	2020	
Number of projects awarded (Note 1)	6	1	3	9	5	6
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Corresponding aggregate amount of initial contract sum or awarded amount (Note 2)	890,207	221,200	168,762	637,997	1,162,191	660,601

Notes:

1. Date of award of a contract refers to the effective date of letter of intent, letter of award or actual commencement date of construction activities, whichever is the earliest.
2. For the projects we operated as one of the joint venture owners, the initial contract sum for these projects was adjusted to reflect the initial amount of work attributed to our Group or in proportion to our Group's interest in the joint venture.

OUR PROJECTS

During the Track Record Period, we had recognised revenue from 33 projects and of those 33 projects, 17 projects were ongoing as at the Latest Practicable Date, 16 projects were completed during the Track Record Period. During the Track Record Period, we did not have any loss-making projects.

As at the Latest Practicable Date, we had 24 projects on hand (including projects in progress and projects yet to commence), details of which are set out in the following table:

Projects on hand

No.	Code	Site location	Sector of customer	Type of works	Our role	Commencement date (Note 1)	Expected completion date (Note 2)	Total contract sum (Note 3) HK\$'000	Accumulated revenue recognised during the Track Record Period HK\$'000	Estimated revenue to be recognised after the year ending 31 March 2021 (Note 4) HK\$'000	Estimated revenue to be recognised after the year ending 31 March 2021 (Note 4) HK\$'000
1	Job 11 (Note 10)	Hong Kong Area	Public	Civil engineering works	Main contractor	April 2015	November 2020	174,004	172,127	1,877	-
2	Job 14 (Note 10)	Hong Kong Area	Public	Civil engineering works	Main contractor	November 2015	November 2020	155,049	153,572	1,477	-
3	Job 17a (Note 11)	Kai Tak Area	Public	Civil engineering works	Main contractor	December 2016	September 2022	221,200	132,564	14,638	73,998
	Job 17b (Notes 5 and 11)							22,515	16,178	4,770	1,567
4	Job 18	Kai Tak Area	Public	Civil engineering works	Subcontractor	April 2017	September 2022	53,323	51,944	1,337	42
5	Job 19	Wan Chai District	Private	Civil engineering works	Subcontractor	September 2017	October 2020	126,718	122,632	4,086	-
6	Job 21	Sham Shui Po District	Public	Civil engineering works	Subcontractor	July 2018	September 2020	59,601	58,155	1,446	-
7	Job 22	Sham Shui Po District	Public	Civil engineering works	Subcontractor	April 2018	October 2020	45,218	45,061	157	-
8	Job 24	Islands District	Private	Building works	Subcontractor	November 2018	October 2020	51,981	49,078	2,903	-
9	Job 25	Tuen Mun District	Public	Building works	Subcontractor	November 2018	October 2020	90,666	90,406	260	-
10	Job 26	Tsuen Wan District	Public	Civil engineering works	Main contractor	September 2018	December 2020	61,295	57,150	4,145	-
11	Job 27	Kwun Tong District	Public	Civil engineering works	Main contractor	November 2018	May 2022	44,511	31,601	12,467	443
12	Job 28	Kwun Tong District	Private	Civil engineering works	Subcontractor	January 2019	October 2020	45,537	45,400	137	-
13	Job 29	Sai Kung District	Public	Civil engineering works	Subcontractor	November 2019	July 2022	277,312	-	101,548	175,764
14	Job 30	Yau Tsim Mong District	Public	Civil engineering works	Subcontractor	May 2019	June 2023	239,293	31,140	74,693	133,460
15	Job 31	Kwun Tong District	Public	Civil engineering works	Subcontractor	September 2019	September 2021	108,615	21,632	72,341	14,642
16	Job 32	Kwun Tong District	Public	Civil engineering works	Subcontractor	July 2019	November 2020	31,215	30,837	378	-
17	Job 33 (Note 11)	North District	Public	Civil engineering works	Main contractor	December 2019	January 2026	773,393	4,205	17,845	751,343
18	Job 34 (Note 9)	Islands District	Private	Building works	Subcontractor	December 2019	October 2020	10,830	6,704	4,126	-
19	Job 35	Kwun Tong District	Public	Civil engineering works	Subcontractor	April 2020	October 2021	39,708	-	24,130	15,578
20	Job 36	North District	Public	Civil engineering works	Subcontractor	April 2020	April 2024	3,547	-	2,838	709
21	Job 37	North District	Public	Civil engineering works	Subcontractor	June 2020	June 2024	38,139	-	19,718	18,421
22	Job 38	North District	Public	Civil engineering works	Subcontractor	July 2020	May 2025	145,547	-	6,017	139,530
23	Job 39 (Note 11)	Kwun Tong District	Public	Civil engineering works	Main contractor	July 2020	June 2024	247,881	-	41,242	206,639
24	Job 40	North District	Public	Civil engineering works	Subcontractor	August 2020	December 2023	185,779	-	38,704	147,075
								3,252,877	1,120,386	453,280	1,679,211

Completed projects

No.	Code	Site location	Sector	Type of works	Our role	Commencement date (Note 1)	Practical completion date (Note 6)	Initial contract sum HK\$ '000	Amount of variation orders (Note 7) HK\$ '000	Final contract sum (Note 3) HK\$ '000	Accumulative revenue recognised during the Track Record Period HK\$ '000
1	Job 1 (Note 10)	Kai Tak Area	Public	Civil engineering works	Main contractor	July 2009	August 2013	124,649	138,349	262,998	7,068
2	Job 2	Tai Po District	Public	Civil engineering works	Subcontractor	September 2010	June 2013	59,511	4,344	63,855	215
3	Job 3	Wan Chai District	Public	Civil engineering works	Subcontractor	June 2012	November 2016	164,854	30,798	195,652	57,769
4	Job 4	Kwun Tong District	Public	Civil engineering works	Main contractor	April 2013	November 2016	63,480	626	64,106	17,534
5	Job 5	Kai Tak Area	Public	Civil engineering works	Subcontractor	July 2013	June 2018	207,807	69,981	277,788	216,089
6	Job 6	Eastern District	Public	Civil engineering works	Subcontractor	August 2013	March 2016	44,800	19,200	64,000	15,763
7	Job 7	Kowloon City District	Private	Civil engineering works	Subcontractor	April 2014	August 2017	19,488	21,144	40,632	10,813
8	Job 8	Islands District	Public	Civil engineering works	Subcontractor	July 2014	August 2017	68,136	7,221	75,357	64,082
9	Job 9 (Note 10)	Hong Kong Area	Public	Civil engineering works	Main contractor	August 2014	November 2018	314,026	(16,426)	297,600	242,377
10	Job 10	Islands District	Public	Civil engineering works	Subcontractor	October 2014	July 2018	124,983	28,835	153,818	147,805
11	Job 12	Wan Chai District	Public	Civil engineering works	Subcontractor	August 2015	September 2016	74,813	19,195	94,008	94,008
12	Job 13	North District	Public	Civil engineering Works	Subcontractor	April 2016	April 2019	256,161	93,978	350,139	350,139
13	Job 15	Kowloon City District	Private	Building works	Subcontractor	February 2016	September 2017	6,079	321	6,400	6,400
14	Job 16	Wan Chai District	Public	Civil engineering works	Subcontractor	May 2016	August 2017	302,141	18,223	320,364	320,364
15	Job 20	North District	Public	Civil engineering Works	Subcontractor	March 2018	April 2019	27,304	4,926	32,230	32,230
16	Job 23	North District	Public	Civil engineering Works	Subcontractor	July 2018	February 2019	4,016	1,465	5,481	5,481
								1,862,248	442,180	2,304,428	1,588,137

Notes:

- The commencement date is based on the management's best estimates according to the commencement date specified in the contract (if any) or any date which was mutually agreed by us and the customer.
- The expected completion date for a particular project is provided based on the management's best estimates in accordance with the construction master programme, expected completion date specified in the contract with the granted extension of time or the actual progress.
- The total/final contract sum equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed by us and the customer up to the Latest Practicable Date. For the projects we operated as one of the joint venture owners, the initial contract sum for these projects was adjusted to reflect the initial amount of work attributed to our Group or in proportion to our Group's interest in the joint venture.
- Revenue expected to be recognised in subsequent financial periods after the Track Record Period represents the management's best estimate with reference to the (i) master programme of the project; (ii) turnover previously recognised; and (iii) our estimate on the customer's progress of certification of our future works done. The estimated revenue excludes value of variation orders which has not been agreed with the customer. The estimated revenue in this column is thus inherently subject to great uncertainties.
- Revenue from Job 17b is a management fee earned by our Group for providing supervision services for Job 17a for the main contractor which our Group is one of the joint venture owners.
- The practical completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
- We may be instructed or ordered by customers for variations, which may include alteration to materials, additions, substitution or omission of works, and hence the contract sum will be adjusted to offset the value of such variations. The amount of variation orders represents the agreed value of variation orders throughout the project.
- As variations may be instructed or ordered by customers during defect liability period after practical/substantial completion of the project, revenue may hence be recognised subsequent to the completion date.
- Job 34 is awarded to a joint venture under establishment between an independent construction contractor, our Group and Customer G. The total contract sum represents the contract sum our Group is entitled to, which is proportional to our ownership in the joint venture pursuant to the joint venture agreement entered into. The actual total contract sum is likely to be adjusted after revised our work scope and the joint venture agreement.
- Our role is a main contractor joint venture partner of a consortium with Build King Group.
- Our role is a main contractor joint venture partner of an integrated joint venture with Build King Group.

BUSINESS

Job 17

In January 2017, we had established an integrated joint venture with Build King Group for undertaking Job 17. The following set out the principal terms contained in the joint venture agreement dated 23 January 2017:

- Purpose : The parties agreed to collaborate as an unincorporated joint venture for the purpose of undertaking the project works of Job 17.
- Duration : The joint venture agreement shall cease and determine when all obligations provided for in the main contract are entirely executed, all accounts between the customer and the joint venture are finally settled and all obligations and liabilities under the joint venture agreement have been fully discharged and/or released.
- Participation : Our Group's financial interest in the joint venture is 40%.
- Scope of work : Works required by the main contract include any addition or variation thereto which may be ordered under the terms of the main contract and any other addition or variation thereto or therefrom which may be agreed by the parties.
- Payment method : A bank account was to be opened by the joint venture parties to receive payments from the customer/employer and any other parties for and in connection with the works and the main contract. The joint venture would pay the costs for performing the main contract.
- After completion of the project and settlement of the final account, any profit remaining and resulting from the performance of the contract after providing the costs, liabilities, reserves for contingencies and repaying working capital to the joint venture parties shall be distributed to the parties according to the financial interest of each party to the joint venture.
- Working capital : Working capital shall be funded by (i) payments received from the employer; (ii) funds paid by each party into the joint venture accounts in accordance with its proportion; and (iii) loans obtained from banks or other financial institutions.
- Management and control : The joint venture's executive bodies comprised of a management board consisting of members from each of the parties, the lead company, being Build King Group, and a project manager nominated by the management board and the lead company.

BUSINESS

Personnel and labour : Whenever possible, personnel required for the execution of the main contract shall be supplied by the parties and the parties shall second to the joint venture such of their employees who possess the necessary degree of competence. The seconding party shall settle remuneration due to its seconded personnel and the joint venture shall reimburse the seconding party such remuneration properly incurred. The remuneration of the seconded personnel shall include all direct employment costs including, *inter alia*, salary, employer's pension contributions, provident funds, insurance premium and other relevant costs which the seconding party pays in respect of the personnel it has seconded to the joint venture. Our Group and Build King Group adopted a schedule which set out a deemed cost for the remuneration of each of the personnel seconded for Job 17 for the purpose of reimbursement. During the Track Record Period, for Job 17 our Group had recognised management fee of approximately nil, HK\$336,000, HK\$4,072,000, HK\$5,654,000 and HK\$6,116,000, respectively, and Build King Group had recognised management fee of approximately nil, HK\$1,964,000, HK\$10,120,000, HK\$13,279,000 and HK\$16,203,000, respectively.

Our Directors are of the view that it is common in the industry for integrated joint venture partners to assign staff to work for the joint venture being the main contractor and to charge management fee based on the number of staff and roles of staff assigned for project management and supervision, in accordance with their knowledge and understanding in the construction industry and the fact that the joint venture should require staff from each joint venture partner for project management and supervision of the overall main contract. The main difference between consortium and integrated joint venture is that each party to the consortium is responsible for due performance of their respective scope of work as agreed between the parties and the parties are self-financing, whereas for integrated joint venture, the parties are jointly responsible for performing the works of the main contract and hence share the profit or loss according to the agreed financial interest of the joint venture. Except for Job 17 and Job 33 which are integrated joint ventures, none of our projects was subject to personnel and labour arrangement which entitles remuneration as management fee. According to the Ipsos Report, it is common for joint venture partners to establish a new bank account for joint venture operations and jointly contribute to the account for operation expenses and it is not uncommon for joint venture partners to charge management fee under joint venture.

For the background of Build King Group, please refer to the paragraph headed "Customers, sales and marketing" in this section.

To the best knowledge and belief of our Directors, Build King Group and its ultimate beneficial owner(s) are Independent Third Parties. Our Directors confirm that, to the best of their knowledge and belief, save as construction business relationship and otherwise disclosed in this prospectus, none of our Group, our Directors, our Shareholders, our senior management, or their respective close associates have any past or present relationship with Build King Group.

BUSINESS

Project backlog

As at 31 March 2016, 2017, 2018, 2019 and 2020 and the Latest Practicable Date, we had a total of 13, 11, 10, 15, 18 and 24 projects in our backlog (representing projects awarded but not completed at the respective dates), respectively. Set out below are the tables showing the number of our projects in backlog, completed and awarded and the corresponding aggregate value during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March					From 1 April 2020 to the Latest Practicable Date
	2016 No. of contracts attributed	2017 No. of contracts attributed	2018 No. of contracts attributed	2019 No. of contracts attributed	2020 No. of contracts attributed	No. of contracts attributed
Projects brought forward from prior year	8	13	11	10	15	18
Projects awarded	6	1	3	9	5	6
Projects completed	(1)	(3)	(4)	(4)	(2)	–
Projects carried down to next year	<u>13</u>	<u>11</u>	<u>10</u>	<u>15</u>	<u>18</u>	<u>24</u>

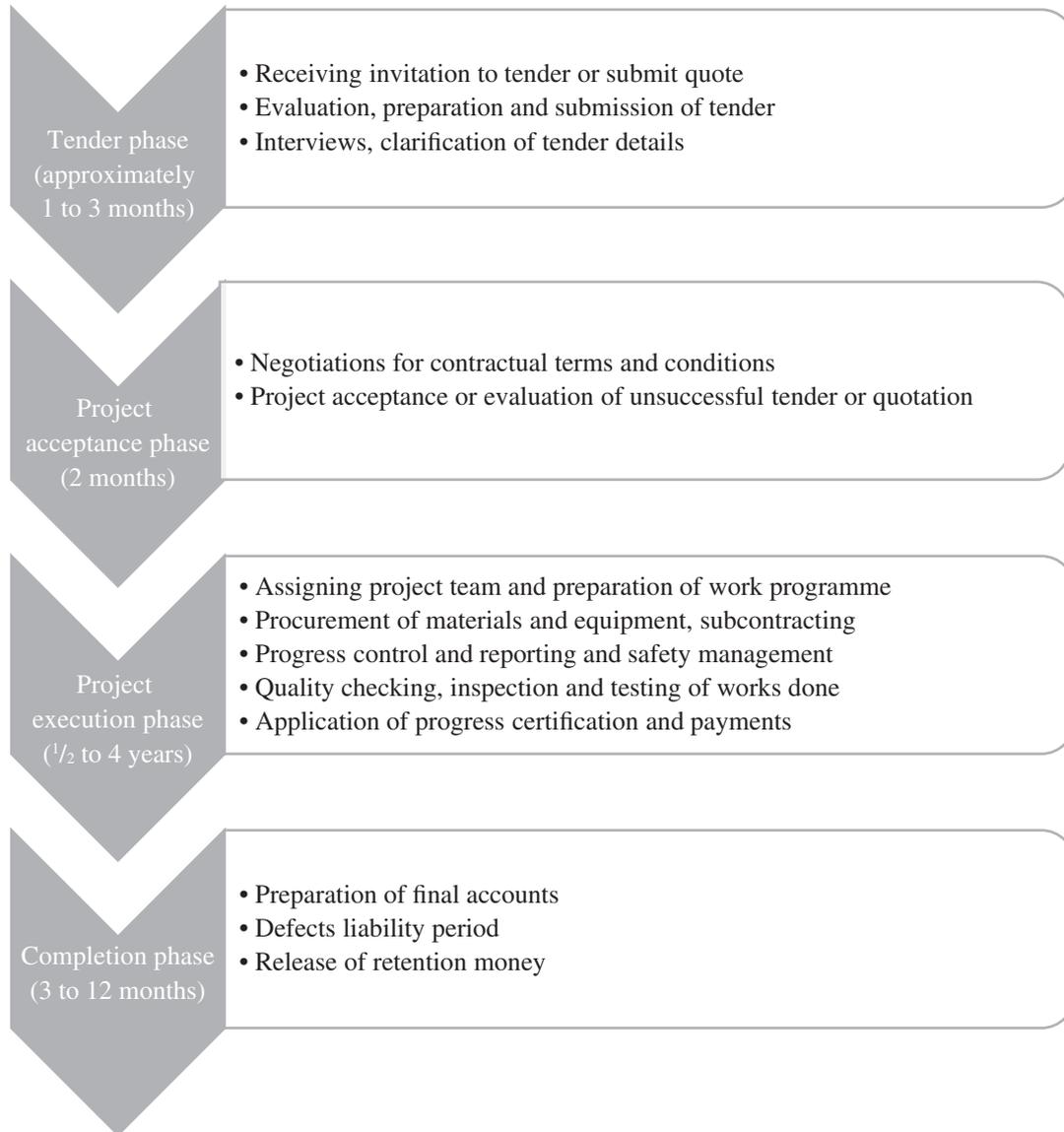
	For the year ended 31 March				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Opening aggregate value of backlog	779,405	1,441,246	991,364	669,806	805,444
Aggregate awarded total contract sum of new contracts awarded	1,063,085	236,281	160,685	665,316	1,278,371
Revenue recognised	<u>(401,244)</u>	<u>(686,163)</u>	<u>(482,243)</u>	<u>(529,678)</u>	<u>(609,195)</u>
Closing aggregate value of backlog	<u>1,441,246</u>	<u>991,364</u>	<u>669,806</u>	<u>805,444</u>	<u>1,474,620</u>

Notes:

- Date of award of a contract refers to the effective date of letter of intent, letter of award or actual commencement date of construction activities, whichever is the earliest. As there is normally a time lapse between letter of intent or letter of award and commencement of construction activities, the closing aggregate value of backlog arrived at in the table above is different from the transaction price allocated to the remaining performance obligations as presented in Note 6 to the Accountants' Report in Appendix I to this prospectus. The difference in amount as at 31 March 2016, 2017 and 2018 was approximately HK\$802,072,000, HK\$160,927,000 and HK\$40,120,000, respectively, represents the timing difference of registering remaining performance obligations of approximately HK\$(558,301,000), HK\$62,867,000 and nil, respectively, and the date of award of the contract and the value of variation orders of approximately HK\$(243,771,000), HK\$(223,794,000), HK\$(40,120,000), respectively, that was across financial periods.
- The completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
- The total contract sum equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed by us and the customer up to the Latest Practicable Date. For the projects we operated as one of the joint venture owners, the initial contract sum for these projects was adjusted to reflect the initial amount of works attributed to our Group or in proportion to our Group's interest in the joint venture.
- From 1 April 2020 up to the Latest Practicable Date, our Group was awarded six contracts with aggregate initial contract sum of approximately HK\$660,601,000.

OPERATION PROCESS

Set out below is the flow chart summarising the typical workflow of our construction projects:



Note: The time frame is illustrative only and the actual time frame of a given project may vary significantly as it depends on various factors, such as negotiation process, the complexity of the project, the master construction programme required by the main contractor (in case we act as the subcontractor), weather condition, variation orders, etc.

Invitation of tender or quotation

As a general practice, in the cases when we are the subcontractor, we are invited by our customers, who are primarily the main contractors of a construction project, to submit a tender or provide a quotation.

BUSINESS

For public work contracts which the Government departments are the employer, we are normally notified of the available projects we are eligible to tender under the corresponding group and category of the Approved Contractors List. We will peruse the information we obtained from the Government departments or the appointed engineering consultant or supervisor to assess the complexity, competition, resources and other relevant information to measure the quantities of works and the estimated costs to complete the project. Depending on the size of the project, the license or qualification requirements, we may form a joint venture with other construction contractor(s) to tender for and execute the project.

Pricing of our quotations

We review carefully every tender/quotation invitation, formulate tender strategy and ensure the competitiveness of our quotations or tenders. We have a tendering team in charge of every tender and quotation submission. The tendering team consists of our engineers and quantity surveyors who study the contract documents, drawings, measure the quantities, evaluate methods of construction and estimate the costs. A proposed budget will be formulated and our Directors will determine the price to be submitted in the tenders.

For Government contracts which we intend to tender for the main contractor role, as more trades and construction materials are expected than for the role as a subcontractor, we would invite quotations from major suppliers and subcontractors early for our assessment of total costs. Our budget costs will also include the provisions for preliminaries, such as insurance costs and site preparation costs. We will also pay attention to the main option clause for New Engineering Contracts to be adopted by the Government to understand the exposure to financial risk.

Our tender price is mainly based on our estimated project costs (such as direct labour costs, subcontracting charges, costs of construction materials, the construction methods including any temporary works or falseworks required, machinery and equipment) plus an appropriate profit margin. We may adjust the profit margin after taking into consideration (i) duration of the project; (ii) cost and availability of workers, construction materials, machinery and equipment; (iii) site constraints and location; (iv) financial risk of the project; (v) our relationship with the main contractor, the joint venture partner, or project consultants in the past; (vi) our capacity; (vii) specific requirements of the project; (viii) complexity and scale of the project; and (ix) potential competition.

Tenders submitted

During the Track Record Period, most of our projects were obtained through the process of public and selective tendering while the remaining projects were secured by quotation invitation. The following table sets out the tender success rates during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March					2020	From 1 April 2020 up to the Latest Practicable Date (Note 2)
	2016	2017	2018	2019	2019		
Number of tenders submitted	22	16	27	43	29	17	
Number of successful tenders (Note 1)	5	1	3	12	5	3	
Success rate (%)	22.7%	6.3%	11.1%	27.9%	17.2%	17.6%	

Notes:

1. Successful tender given rise from awarded project falls into the year in which the corresponding tender is submitted.
2. As at the Latest Practicable Date, 18 tenders were still awaiting results from our potential customers.

Our Directors confirm that our tender success rates are within expectation. Our tender success rate decreased during the years ended 31 March 2017 and 2018, mainly because our capacity was engaged by our projects on hand awarded during the year ended 31 March 2016 with an aggregate amount of initial contract sum of approximately HK\$890,207,000. The tender success rate for the year ended 31 March 2020 decrease as we were selective about the main contractor projects which would enable our Group to confirm our probationary status for our Group B and Group C (Roads and Drainage) registration on the Approved Contractor List that our Directors consider our Group faced keen competition. Nevertheless, it is our strategy to be responsive to our customers' invitations and continue to submit proposals to our customers in order to maintain our business relationship instead of turning them down. Our Directors are of the view that in line with market players comparable to our Group, tender success rates could fluctuate which hinges on aggressiveness of tenders submitted and activeness in submitting tenders. Under such circumstances, we normally factored in a slightly higher profit margin to cover the cost of putting in additional resources, which may nonetheless decrease the attractiveness of our tender proposals.

Project acceptance

Negotiations of contractual terms and conditions

After we submitted our tender or quotation to our customer, our customer or its consultant may issue tender enquiries to us requesting submission of further information, clarifications of certain details and, if necessary, arrange interviews with us. If we proceed to the final round of screening, we often need to negotiate the terms and conditions with our customer in order to confirm the contract sum and the final contract.

Project acceptance and evaluation of unsuccessful tender or quotation

Once our customer decides to engage us as the contractor, we are normally informed of the project acceptance by way of a letter of award or letter of intent.

If we are not successful for a particular bid, we would try to understand the reasons of losing the bid or why a competitor was awarded. If the awarded contract price is disclosed, we may also compare our submitted tender price to the awarded price and evaluate the reasons that the competitor may be awarded. Internal evaluation meetings are regularly convened to discuss such failed bids with an aim to identifying our weaknesses and suggesting methods for improving our tender strategies.

Project execution

Assigning project team and preparation of work programme

According to different projects and our role, we assign different project team members for executing and supervising the works. As a main contractor for Government projects, our project management team typically comprises project manager, site agent, engineers, quantity surveyor, superintendent, foreman and safety officer. For projects which we act as the subcontractor, depending on the specific needs, we may usually downsize the project management team, which basically consists of site agent, engineers and foremen unless the project requires other project management roles. The following are the main responsibilities of each key member of our project teams:

- *Project manager*

Our project manager is mainly responsible for preparing and monitoring the master programme, supervising the work of other members of the project team, reviewing the progress report and liaising with customer or the project consultant, suppliers and subcontractors. The project manager plays a key management supervisory role in keeping a project on track. Our project manager also keeps abreast of statutory requirements and provides guidance on dealing with technical and complicated issues, executes instructions from the customer and deals with progress certification issues. On an ongoing basis, our project manager reports directly to our executive Directors for the projects he oversees.

BUSINESS

– *Site agent*

Our site agent establishes the principal communication channel with the customer. He has overall control over project implementation, reviews method statements and is also responsible for the effective and efficient site administration, planning and organising for customer inspections and ensuring quality and safety standard of site operations.

– *Engineers*

Our site engineers are required to formulate construction method statements which are submitted for client's approval, execute construction programme, make submissions regarding materials, programme reports, engineering issues to the customers and liaise with suppliers and subcontractors in respect of technical issues. Site engineers are also responsible for design of temporary works and falseworks which support the construction of the permanent structures. Depending on project size and contract requirements, assistant and graduate engineers may also be assigned into a project. One of our operating subsidiaries, Richwell Engineering, is an organisation approved by Hong Kong Institute of Engineers to offer Scheme "A" training to graduate engineers.

– *Quantity surveyor*

Our quantity surveyor is responsible for inspecting the work progress on site, material arrival and preparing payment application for submission to our customer and certifying payment and work done from our suppliers and subcontractors.

– *Superintendent/Foreman*

Our superintendent and foreman are responsible to monitor the quality and workmanship of our project works to ensure compliance with contractual, environmental, safety and regulatory compliance. He is also responsible for coordination works, including the delivery of materials and arrangement with subcontractors, to facilitate construction works on site. Supervision of site works for day-to-day operations is also required from superintendent and foreman.

– *Safety officer/Safety supervisor*

Our safety officer is responsible for setting up safety policy supervising implementation of site safety measures and monitoring the work safety on site. Our safety officer also liaises with project consultant to organise safety walk or inspection to identify any hazardous operation and violations of safety rules. Safety supervisors are required to assist safety officer for implementing the site policy on occupational safety and health and ensure a high standard of site safety.

– *Technical apprentice*

It is often stated in public works contracts which we are the main contractor that certain number of technical apprentices should be maintained. The technical apprentice has academic background in construction or civil engineering who may be assigned for assisting works supervision and land surveying.

Procurement of materials and equipment, subcontracting

Depending on the contract terms and specifications, we procure construction materials mainly on our own. We source construction materials from our approved list of suppliers. When required, the construction materials or our work done, such as concrete and reinforcement samples, are arranged for testing of quality.

During the Track Record Period, we engaged subcontractors to carry out certain site works. We require our subcontractors to equip themselves with the necessary specific machinery. Our executive Directors together with quantity surveyor are responsible for the subcontracting.

Progress control and reporting and safety management

Once the project manager has finalised the master programme or the programme of the works subcontracted to us, our site engineers will be responsible for the execution of works and they will work with foremen closely for carrying out site operations. Site meetings are conducted weekly for project management staff for understanding the progress of different work zones and for project manager to make appropriate decisions. We should arrange with our labour and/or subcontractors for additional resources if we find the need to speed up our work to catch up with the master programme or avoid delay.

We also hold monthly regular progress meetings with our customers and their consultants throughout the project duration to report our work done and discuss overall project status.

We place a strong emphasis on work safety and require all our site staff and subcontractors' workers to wear all necessary personal protection equipment, such as safety helmet, reflective vest and safety shoes before entering the site. We have our own safety policy that requires all workers on site to comply with. For projects we act as subcontractor, we strictly adhere to the safety policy implemented by the main contractor and our site foremen and safety supervisors will also ensure our workers to comply with all safety provisions and issue warnings to those who offence.

Quality checking, inspection and testing of works done

We have been accredited with ISO 9001 since 2006. We have quality control measures in place for our construction materials and site works. Our objective is to avoid double handling, which is the need to remove the completed structure and rebuild it again. Our site engineers check the quality of our works done before requesting inspection by our customer or its consultant. Before that, our foremen supervise and monitor the key construction steps and ensured the workmanship and quality of materials can comply with the specifications.

Tests may be required for construction materials and structures constructed, for example, tests on reinforced concrete structures or welded joints. We would arrange the tests to be done in recognised laboratories when required.

Application of progress certification and payments

In general, our Group requires our customers to make progress payments to us on a monthly basis. Our Group submits progress payment applications to the customers monthly with reference to works done or costs incurred in the previous month, which may include delivery of construction materials or amount paid to suppliers and subcontractors as well. Payment applications are to be certified by our customers or their project consultants to agree with our value of works done and the payment amount should be measured in accordance with the method of measurements as stipulated in the contract. Our customers usually settle our bills, net of the agreed retention money after receiving our payment applications.

We pay our subcontractors on a monthly basis based on our subcontractors' payment applications and our certification process.

Project completion***Preparation of final accounts***

Upon satisfactory completion of our project, a practical completion certificate is normally issued by the customer's consultant. Once practical completion is reached, our Group is normally entitled to receive half of the retention money. We will also prepare the final account with the customer to set out the amount to be paid by the customer taking into account the value of total work done, amount previously paid, retention money, claims, etc.

Defect liability period

Subject to the requirements of the contract, we may provide a defect liability period, normally up to 12 months from the practical or substantial completion of the project, during which we are responsible for making good of any defects identified. For works that were completed by our subcontractors which are subject to making good, we will contact the subcontractor for the defects rectification. During the Track Record Period, we did not experience any material claim by our customers in respect of defective works, and we did not make provision for any repair and maintenance cost in respect of defective works during the defect liability period.

Release of retention money

The release of the remaining of the retention money is normally due after the end of the defect liability period or agreement of the final account. Please refer to the paragraph headed "Principal terms of our contracts with customers – Retention monies" below in this section.

CUSTOMERS, SALES AND MARKETING

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our turnover amounted to approximately HK\$401,244,000, HK\$686,163,000, HK\$482,243,000, HK\$529,678,000 and HK\$609,195,000, respectively.

Our customers primarily consist of different Government departments and the main contractors in Hong Kong.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was approximately 40.3%, 43.0%, 36.0%, 36.5% and 31.7% for the corresponding periods, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 97.7%, 99.9%, 93.1%, 79.0% and 80.6%, respectively.

BUSINESS

Set out below is a breakdown of our revenue of top five customers during the Track Record Period, together with the customers' background information:

For the year ended 31 March 2016

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	China State Construction Engineering (Hong Kong) Limited ("China State")	2012	15 to 21 days	161,808	40.3
2	The Government	2009	21 days	115,054	28.7
3	Customer C	2010	14 days	54,811	13.7
4	Build King Group	2009	35 days	49,534	12.3
5	Customer E	2014	14 days	<u>10,690</u>	<u>2.7</u>
			Five largest customers combined	391,897	97.7
			All other customers	<u>9,347</u>	<u>2.3</u>
			Total revenue for the year	<u><u>401,244</u></u>	<u><u>100.0</u></u>

For the year ended 31 March 2017

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	China State	2012	15 to 21 days	294,794	43.0
2	The Government	2009	21 days	143,067	20.9
3	Build King Group	2009	35 days	110,944	16.2
4	Customer F	2016	30 days	83,522	12.2
5	Customer C	2010	14 days	<u>52,823</u>	<u>7.6</u>
			Five largest customers combined	685,150	99.9
			All other customers	<u>1,013</u>	<u>0.1</u>
			Total revenue for the year	<u><u>686,163</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 March 2018

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	The Government	2009	21 days	173,585	36.0
2	Customer F	2016	30 days	166,365	34.5
3	China State	2012	15 to 21 days	46,247	9.6
4	Build King Group	2009	35 days	37,678	7.8
5	Customer C	2010	14 days	<u>24,855</u>	<u>5.2</u>
Five largest customers combined				448,730	93.1
All other customers				<u>33,513</u>	<u>6.9</u>
Total revenue for the year				<u>482,243</u>	<u>100.0</u>

For the year ended 31 March 2019

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	The Government	2009	21 days	193,428	36.5
2	Customer F	2016	30 days	93,703	17.7
3	China State	2012	15 to 21 days	63,038	11.9
4	Customer C	2010	14 days	34,675	6.5
5	Customer G	2013	30 days	<u>34,071</u>	<u>6.4</u>
Five largest customers combined				418,915	79.0
All other customers				<u>110,763</u>	<u>21.0</u>
Total revenue for the year				<u>529,678</u>	<u>100.0</u>

BUSINESS

For the year ended 31 March 2020

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	The Government	2009	21 days	193,063	31.7
2	Customer L	2017	15 days	130,457	21.4
3	Customer C	2010	14 days	71,262	11.7
4	China State	2012	15 to 21 days	54,672	9.0
5	Build King Group	2009	35 days	<u>41,380</u>	<u>6.8</u>
			Five largest customers combined	490,834	80.6
			All other customers	<u>118,361</u>	<u>19.4</u>
			Total revenue for the year	<u>609,195</u>	<u>100.0</u>

China State is a leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works. It also engages in infrastructure project investments, façade contracting business and infrastructure operation. The parent company of China State, China State Construction International Holdings Limited, is listed on the Main Board of the Stock Exchange (Stock Code: 3311) and its consolidated revenue was approximately HK\$61.7 billion for the year ended 31 December 2019.

CEDD and the Highways Department were our direct customers during the Track Record Period.

Customer C is a leading construction and engineering contractor headquartered in Hong Kong.

The Build King Group is a leading construction contractor in Hong Kong that offers construction services in civil engineering, buildings and environmental areas. The holding company, Build King Holdings Limited, is listed on the Stock Exchange (Stock Code: 240) and has consolidated revenue of approximately HK\$7.6 billion for the year ended 31 December 2019.

Customer E is a leading international construction company headquartered in Hong Kong that has operation since 1975. Its parent company is listed on the Australian Securities Exchange and has a consolidated revenue of approximately A\$14.7 billion for the year ended 31 December 2019. The Development Bureau took regulating action against Customer E and Customer E was suspended from tendering for all works categories under which it is listed on the Approved Contractors List for a period of 12 months effective from 8 October 2018 and tendering for the works categories of “Buildings (Group C)” and “Roads and Drainage (Group C)” for a period of three months from the expiry of the above suspension period. Our Directors consider that the regulating action against Customer E would not have a material impact on our Group’s business operations and financial position going forward taking into account that (i) the construction issues leading to the regulating actions against Customer E were isolated from our Group’s project works subcontracted by Customer E; and (ii) after the announcement of the regulating action by the Development Bureau, Customer E continued to issue progress certificates for our ongoing projects and settled trade receivables due to our Group.

BUSINESS

Customer F is a joint venture formed between two independent construction contractors and the Build King Group. Customer F is the main contractor of a Government project for the construction of long dual two-lane trunk road and the associated environmental mitigation measures, landscaping, drainage/sewerage, waterworks and utilities works for a new boundary control point.

Customer G is a limited liability company incorporated in Hong Kong which principally engaged in the installation of structural steel.

Customer L is a joint venture formed between China State and Customer E for undertaking contract works on the Shatin to Central Link. Following the Development Bureau's regulating action against China State and Customer E announced in October 2018, Customer L continued to certify our progress applications and settled trade receivables due to our Group. In addition, Customer L awarded Job 31 and Job 32 to our Group in June 2019 and October 2019, respectively, which our Group was engaged to construct the pile cap, pier, pier head and abutment and cast in-situ deck in a roads and drainage project. Customer L is the main contractor of the project from which Job 31 and Job 32 arose and the main contract of the project was commenced in July 2016. Accordingly, our Directors consider that regulating action against China State and Customer E would not have a material impact on our Group's business operations and financial position going forward.

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the top five customers of our Group during the Track Record Period.

Customer concentration

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, revenue attributable to our top five customers combined represented 97.7%, 99.9%, 93.1%, 79.0% and 80.6% of our total revenue, respectively. The percentage of our total revenue attributable to our largest customer amounted to 40.3%, 43.0%, 36.0%, 36.5% and 31.7%, respectively.

While it appears that a majority of our revenue is derived from a few customers during the Track Record Period, our Directors consider that our Group does not exhibit over dependency on any of our major customers, owing to the following:

- (i) our Group undertakes projects of considerably different scales. A sizeable project undertaken by our Group would contribute to a significant portion of our Group's revenue in the particular financial period, which would result in the relevant customer becoming one of our top customers in that particular financial period. In addition, large projects tend to last more than one or more financial periods, our customers of these long projects may remain to be our major customers for consecutive years;
- (ii) we have been actively tendering for large scale civil engineering projects and other than the Government, a majority of our major customers are main contractors registered in the Group C of the Approved Contractors List under one or more work categories. Other than Customer F and Customer L which are joint ventures formed for executing a public works project, these customers are reputable and they have long working relationship with us for at least 4 years. Our Directors believe that mutual benefits are derived from the partnership between our Group and our major customers;

BUSINESS

- (iii) the Government, including different departments which award public works projects every year, had contributed a significant portion of our revenue for each of the year within the Track Record Period;
- (iv) our contracts with our customers are entered into on a project basis and we are not bound to provide services only to our major customers. When our resources are available, we can extend our services to other customers. We have been continually receiving tender invitations from the Government and other customers and we refine our tendering strategy with reference to the circumstances such that when we have more labour or financial resources, we may submit more competitive tenders to increase the likelihood to be awarded for the contract from other customers; and
- (v) we believe our ability to execute projects at competitive price and within allowed time forms the basis that our customers engage us as the main contractor or subcontractor and this attribute is also valid for other customers that had not engaged us.

It is our future plan and strategy to tender for more civil engineering projects as a main contractor and in particular, it is our target to apply for the confirmation status for the Roads and Drainage category in which we are in probationary status under Group B and Group C by undertaking large scale roads and drainage projects to satisfy the contract completion criteria for confirmation status. We have been showing progress on this during the Track Record Period. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the revenue contributed from projects which we were the main contractor represented 28.7%, 20.9%, 36.8%, 37.6% and 32.7% of total revenue, respectively. We target to uphold such significant proportion of main contractor projects going forward. The tender limits for the Approved Contractors List were revised and effective from February 2017 such that the contracts of value are revised upward for Group B, from HK\$185 million to HK\$300 million. Our Directors believe that the revision of tender limits will provide our Group with more opportunities to take up new public works contract in the Group B, and by successfully applying for confirmation status, we will be able to tender for more large scale civil engineering projects as the main contractor and in turn will enable our Group to reduce the extent of reliance on other main contractors in the future.

Pricing strategy

There are several contracts that may be selected by the Government which may determine the payment mechanism, responsibilities and risk allocation between the Government and the main contractor. We will study the engineering contract structure carefully, measure the number of items to be constructed or activities and establish a cost plan. We then adjust the rates in the bill of quantities or activity schedule to arrive at an acceptable profit margin with reference to the cost plan.

For private sector projects which we generally enter into a lump sum contract with customers, our pricing approach is different by estimating the total costs and adding a mark-up margin in our quotation or tender.

We consider that accurately estimating our project costs is critical to our project profitability. For Government projects, there may be price fluctuation allowed for cost changes across years. Price fluctuation arrangement is generally absent in private sector projects and contractors have to bear or mitigate such risks.

BUSINESS

Principal terms of our contracts with customers

In general, our customers engage us on a project by project basis instead of entering into a long-term agreement with us. Set out below are the principal contract terms commonly found in the contracts with our major customers during the Track Record Period:

Contract period	:	The expected project commencement date and completion date or the expected duration of the project.
Type and scope of work	:	The scope of work of the project.
Payment terms	:	The period for settlement of our work done or materials provided after we submit our payment application varies contract by contract. Depending on the terms and conditions of the contracts, in the private sector, the credit term is generally 14 to 42 days from the date of payment application to our customer; while for Government projects, the credit term is 21 days.
Bill of quantities/schedule of rates	:	Description of the type of work and the specification of the works together with the quantity and the unit price.
Variation orders/contingencies	:	Our customers may instruct us to carry out variation works and the contract sets out valuation principles for agreeing the value of the variations.
Liquidated damage	:	The amount of liquidated damage payable by our Group per day if we fail to complete the agreed scope of work within the contract period as provided in the contract.
Retention monies	:	Certain percentage of each progress payment is withheld by the customer and will be released after completion of the project.
Surety bonds	:	A surety bond may need to be taken out by us to guarantee the due performance of the project.
Default	:	The customer may be entitled to terminate the contract in the events of default of contract by our part.
Defect liability period	:	Our customers often specify a defect liability period of up to 12 months after practical completion of our project or the main contract works, if we are the subcontractor and our works are completed before the completion of the main contract works. If any defect or imperfection is found in our work, we are responsible for making good during the defect liability period.

BUSINESS

Insurance : In general, it is the obligation of the main contractor of the construction project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed (including those employed by subcontractors) to work at the construction sites. Please refer to the paragraph headed “Insurance” in this section below for further details.

Termination : Generally, our customer is entitled to terminate our contract under certain circumstances, such as winding-up of contractor, events of default, abandonment of the project, failure to remove defective materials or making good of defective works after being instructed by the customers.

For Government projects, the contractors may have their names removed from the Approved Contractors List maintained by the Development Bureau if the contractors fail or refuse to implement the accepted tender.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we have not experienced any early termination of contracts by any of our customers.

In recent years, the Development Bureau advocated collaborative partnership in delivering public works projects in Hong Kong, including the introduction of the standard suite of partnering contracts which emphasise on mutual trust and co-operation and collaborative risk management known as the New Engineering Contract (“NEC”) form, aiming to elevate management efficiency and cost effectiveness. As we tender public work contracts, the NEC form most relevant to our Group is the engineering and construction contracts (“ECC”). Under NEC, the Government, the project supervisor or the consultant, and the main contractors are required to work in mutual trust and collaborative manner. The following summarises the structure of a typical NEC:

Main options : The Government selects a main option, which is categorised into priced contracts or target cost contracts using either activity schedule or bill of quantities. Main options for ECC include:

- A. Priced contract with activity schedule;
- B. Priced contract with bill of quantities;
- C. Target contract with activity schedule;
- D. Target contract with bill of quantities;
- E. Cost reimbursable contract; and
- F. Management contract.

BUSINESS

- Core clauses : Nine core clauses are typically applicable in NEC:
1. **General** – includes defined terms, interpretation, communications, ambiguities;
 2. **Contractor’s main responsibilities** – provision of works, design, people, subcontracting;
 3. **Time** – starting, completion dates, key dates, programme, access, takeover, acceleration;
 4. **Testing and defects** – tests and inspections, notifying defects, correcting defects, accepting defects, uncorrected defects;
 5. **Payment** – assessing amounts due, payment provisions, pain share/gain share where appropriate;
 6. **Compensation events** – events which will give rise to time and money and procedures for dealing with these;
 7. **Title** – for example, to plant and materials;
 8. **Risk and insurance** – contractor and employer risks, insurance requirements; and
 9. **Termination** – grounds, procedures and payments on/ for termination.
- Secondary options : Secondary options are optional and included at the discretion of the employer.
- Common secondary ‘X’ options used in NEC for public works projects in Hong Kong include:
- X1 – price adjustment for inflation
 - X5 – sectional completion
 - X7 – delay damages
 - X15 – limitation of the contractor’s liability for his design to reasonable skill and care
 - X16 – retention
 - X20 – key performance indicator
- The ‘Z’ options are the additional conditions of contract. The Development Bureau has developed a library of standard conditions of contract (Z clauses).

BUSINESS

In large scale public civil engineering projects, our Directors confirm that it is a common practice that several construction contractors may establish a joint venture to tender for projects. Our Directors are of the view that forming a joint venture offers a number of advantages, including (i) diversifying the risk by agreeing to allocate different works among different joint venture partners; (ii) less resources being needed than executing the project as the sole main contractor; (iii) jointly satisfying the minimum working capital requirements for the approved contractors in the Approved Contractors List; and (iv) participating in projects as the main contractor which we may not be in the works categories and groups of the Approved Contractors List.

When we are notified to be invited for tendering a large scale project, we may approach other main contractors, or vice versa, for a potential co-operation, in the form of an integrated joint venture or consortium, in order to jointly prepare for and submit a tender. If the tender is finally accepted by the relevant Government department, the other main contractor and us will then enter into a joint venture agreement for completing and maintaining the project works.

During the Track Record Period and up to the Latest Practicable Date, we had established seven unincorporated joint ventures with the Build King Group for seven projects as a main contractor which contributed revenue with initial awarded contract sum ranging from HK\$124.6 millions to HK\$773.0 millions, two of our operating subsidiaries, namely Richwell Engineering and Richwell CE, established two unincorporated joint ventures for undertaking Job 26 and Job 27 as the main contractor and established an unincorporated joint venture with an independent construction contractor and customer G for undertaking Job 34 as a subcontractor.

The following set out the principal terms contained in the joint venture agreements of our projects:

Purpose : The contractors agree to constitute themselves as a consortium/form an unincorporated integrated joint venture for the purpose of preparing and submitting a tender and, if the tender is accepted, to execute and perform the works under the contract with the employer.

Duration : After the project commences, the joint venture should be determined upon complete fulfillment or earlier determination of the main contract and the release or cancellation of all guarantees, bonds and warranties, final settlement of all accounts between the joint venture partners.

Scope of work : *For consortium*

The parties of the consortium will agree a scope of work to be carried out by each party and the management team of the consortium.

For integrated joint venture

The joint venture will perform the entire main contract and the executive bodies of the joint venture are usually (i) a management board comprising representatives of each of the joint venture parties; (ii) one of the joint venture parties which takes the role of lead company; and (iii) a project manager appointed by the management board for managing the project.

BUSINESS

Payment method : *For consortium*

Normally the consortium will pay for the amount of works executed by the respective party pursuant to the scope of work and certified by the customer to the consortium. The remaining value will settle expenses of the consortium managing team, levy, insurance premium and any other expenses to maintain the services provided by the consortium.

For integrated joint venture

A bank account will be opened by the joint venture parties to receive payments from the customer/employer and any other parties for and in connection with the works and the main contract. The joint venture will pay the costs for performing the contract.

After completion of the project and settlement of the final account, any profit remaining and resulting from the performance of the contract after providing the costs, liabilities, reserves for contingencies and repaying working capital to the joint venture parties shall be distributed to the parties according to the financial interest of each party to the joint venture.

Variations : If the customer orders any variations that may not be easily classified into which consortium party's scope of work, the project manager of the consortium shall have the discretion to determine which consortium party to execute the variation orders.

Delay : *For consortium*

A consortium party experiencing delay may request the other consortium party for a proposal to accelerate or to take other action as would result in mitigation of the delay. The delaying consortium party may (i) elect to pay such damages for delay or (ii) instruct the other consortium party to perform the action described in the abovementioned proposal and account for the cost of such action quoted by the assisting consortium party.

BUSINESS

Working capital : *For consortium*

Each party of the consortium shall at its own cost provide all suppliers and services and carry out all work required for the proper fulfillment of its scope of works.

For integrated joint venture

Working capital shall be funded by (i) payments received from the employer; (ii) funds paid by each party into the joint venture accounts in accordance with its proportion; and (iii) loans obtained from banks or other financial institutions.

Management and control : The overall management and control of the affairs of the consortium/integrated joint venture shall be vested in a management board consisting of certain members from each of the consortium/integrated joint venture partners. One of the partners shall be appointed as the lead company to undertake the general coordination and administration of the joint venture. The Build King Group was the lead company of the joint ventures with our Group during the Track Record Period.

As a general practice, parties to the consortium are responsible for due performance of the respective scope of work as agreed between the parties and the parties are self-financing, whereas the integrated joint venture parties will jointly be responsible for performing the works of the main contract and hence share the profit or loss according to the agreed financial interest of the joint venture. Whether to form a consortium or integrated joint venture is a result of negotiation between our Group and the other main contractors on a case-by-case basis with reference to the specific circumstances.

Credit policy

Before deciding whether to submit a tender proposal or quotation, we normally take into account the customer's creditworthiness. Our major contracts with our customers specify the credit term, including the payment timing, retention money to be withheld and its timing for release.

We will usually grant our customers a credit period ranging from 14 to 42 days from the date we submit progress payment application. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 10% of the total contract sum as retention money. Normally, half of the retention money will be released upon completion of our works and half of the retention money will be released upon the agreement of the final account between our customers and us.

BUSINESS

We do not make any general provision for doubtful debts for the three years ended 31 March 2018 and upon the application of HKFRS 9 on 1 April 2018, we applied simplified approach on trade receivables and contract assets to provide for expected credit losses prescribed by HKFRS 9. Our Directors determine specific provision for doubtful debts on a case-by-case basis. When determining such specific provision, our Directors consider length of business relationship with the customer, the reputation of the customer, its financial strength and history of repayment. During the Track Record Period, we made a provision for allowance for doubtful debts of approximately nil, HK\$1,075,000 and nil for the years ended 31 March 2016, 2017 and 2018, respectively, and loss allowance of approximately HK\$46,000 for the year ended 31 March 2019 and a reversal of loss allowance of approximately HK\$212,000 for the year ended 31 March 2020, due to the delayed release of retention from two completed projects some years ago. We will continue to exercise care and diligence when assessing customer's credit worthiness. For details on our trade receivables' turnover days, please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items" in this prospectus.

Sales and marketing

During the Track Record Period, our business opportunities arose mainly from (i) public tender openings in Hong Kong, which are available to main contractors on the approved lists under the appropriate groups and categories as maintained by the Development Bureau; and (ii) invitations for quotation or tender from main contractors.

Due to the above reasons, we currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as dinners or luncheons hosted by other industry players. We contact our customers to maintain a good relationship with them, to obtain market and industry information, and to seek business opportunities. We also rely on word-of-mouth by providing quality service in every of our projects and on time to attract referral or for retaining our customers in future projects. In addition, from time to time, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information.

Our Directors believe that our past performance will continue to support our reputation, appeal to our customers and hence strengthen our future business in the industry.

Seasonality

Our Directors believe that the construction industry in Hong Kong does not exhibit any significant seasonality.

Contra-charge arrangement with our customers

In the construction industry, it is common that a contractor may pay on behalf of its subcontractors for certain expenses in a construction project regarding the purchase of materials, usually permanent materials, or provision of labour or machinery. For certain common construction materials, the main contractor will normally purchase the materials for all subcontractors to ensure and control the material quality. Such expenses are typically deducted from the customer's payments to the subcontractors when agreeing the amount of the interim payments. This payment arrangement is commonly known as the "contra-charge arrangement" and the amounts involved are referred to as "contra-charge".

During the Track Record Period, we had contra-charge arrangements with some of our customers which our Directors confirmed that those transactions were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. Our Directors confirm that such miscellaneous expenses mainly included general labour provided by our customers the costs of which were reimbursed by our Group. Therefore, some of the contra-charges were not included as purchases. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, 6, 7, 9, 13 and 12 projects were under contra-charge arrangements, respectively. Pursuant to the contra-charge arrangements with our customers, upon request, our customers may purchase construction materials specified in the contract such as concrete and steel or as agreed and make payments on our behalf. Such purchase cost of construction materials or machinery rental cost is reimbursed by way of contra-charge to the project account with the customers. The major construction materials consumed by our Group under contra-charge arrangement are concrete and steel reinforcement. Effectively, the payments due to us from the customers will be settled after netting off such contra-charge amounts. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the contra-charge amounted to approximately HK\$72,881,000, HK\$226,988,000, HK\$61,432,000, HK\$41,096,000 and HK\$69,112,000, respectively, and such contra-charge attributable to our five major customers during the Track Record Period amounted to approximately HK\$72,665,000, HK\$226,877,000, HK\$57,634,000, HK\$34,511,000 and HK\$42,638,000, representing 99.7%, 99.9%, 93.8%, 84.0% and 61.7% of the total contra-charge for the period, respectively. As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials were reduced by the same amount. Therefore, the contra-charge arrangements had no material effect on our Group's cashflow position during the Track Record Period.

BUSINESS

The following table sets forth the information on our major customers from which we had contra-charge arrangements during the Track Record Period:

	2016		2017		2018		2019		2020	
	HK\$'000	%								
China State										
Revenue derived and % of total revenue	161,808	40.3	294,794	43.0	46,247	9.6	63,038	11.9	54,672	9.0
Contra-charge amounts and % of total direct costs	53,082	14.4	162,567	25.3	9,892	2.3	20,592	4.5	5,825	1.1
Weighted average of gross profit margin (Note)		6.4		2.0		3.8		21.6		20.1
Customer C										
Revenue derived and % of total revenue	54,811	13.7	52,823	7.7	24,855	5.2	34,675	6.5	71,262	11.7
Contra-charge amounts and % of total direct costs	328	0.1	114	0.0	597	0.1	6,140	1.3	22,075	4.1
Weighted average of gross profit margin (Note)		20.5		20.5		20.5		10.5		8.2
Build King Group										
Revenue derived and % of total revenue	49,534	12.3	110,944	16.2	37,678	7.8	32,032	6.0	41,380	6.8
Contra-charge amounts and % of total direct costs	19,177	5.2	37,359	5.8	8,042	1.9	458	0.1	2,248	0.4
Weighted average of gross profit margin (Note)		6.1		6.1		8.6		27.5		17.0
Customer E										
Revenue derived and % of total revenue	10,690	2.7	–	–	123	0.0	–	–	–	–
Contra-charge amounts and % of total direct costs	78	0.0	–	–	–	–	–	–	–	–
Weighted average of gross profit margin (Note)		14.9		14.9		14.9		–		–
Customer F										
Revenue derived and % of total revenue	–	–	83,522	12.2	166,365	34.5	93,703	17.7	6,549	1.1
Contra-charge amounts and % of total direct costs	–	–	26,837	4.2	39,103	9.2	7,778	1.7	2,122	0.4
Weighted average of gross profit margin (Note)		–		16.2		18.3		17.6		19.8
Customer L										
Revenue derived and % of total revenue	–	–	–	–	15,855	3.2	28,789	5.4	130,457	21.4
Contra-charge amounts and % of total direct costs	–	–	–	–	49	0.0	100	0.0	12,490	2.3
Weighted average of gross profit margin (Note)		–		–		15.0		15.0		18.8

Note: Weighted average of gross profit margin equals to the simple average of project gross profit margin weighted by project revenue, which is equivalent to the sum of project gross profit divided by the sum of project revenue.

BUSINESS

Our gross profit margin with China State decreased from approximately 6.4% for the year ended 31 March 2016 to approximately 2.0% for the year ended 31 March 2017, mainly due to a lower profit margin project, Job 16, which was commenced in May 2016. Such lower profit margin was mainly due to the large contract sum and the nature of the works which our Group expected we would be able to complete large volume of works within a relatively short period, our Group was willing to bid for the project at a competitive price at a lower project profit margin while achieving a large size of profit. The gross profit margin was kept at a similar level of approximately 3.8% for the year ended 31 March 2018 and further increased to approximately 21.6% for the year ended 31 March 2019. The increase in gross profit margin was mainly contributed by two projects, namely Job 20, which we factored in higher pricing after considering the relatively tight delivery schedule, and Job 16, which was substantially completed in August 2017 but the subsequent variation orders and the agreement of the final progress certification revised the overall project margin which was reflected in the year ended 31 March 2019. For the year ended 31 March 2020, the gross profit margin was maintained at a similar level of 20.1%. The high gross profit margin was mainly due to (i) the agreement of final account with the customer for Job 16 and Job 20; and (ii) Job 34 was commenced during the year ended 31 March 2020 which had a relatively high gross profit margin.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our gross profit margin with Customer C was approximately 20.5%, 20.5%, 20.5%, 10.5% and 8.2%, respectively. For the three years ended 31 March 2018, the gross profit margin was kept at approximately 20.5%. For the year ended 31 March 2019, our gross profit margin decreased to approximately 10.5%. The decrease was due to the adjustment of project margin after the agreement of final progress certificate of Job 10. For the year ended 31 March 2020, the weighted average of gross profit margin further decreased to 8.2%, which was the margin of the remaining project with Customer C. Such decrease was due to the completion of Job 10, which had a higher profit margin, during the year ended 31 March 2019.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our gross profit margin with Build King was approximately 6.1%, 6.1%, 8.6%, 27.5% and 17.0%, respectively. For the three years ended 31 March 2018, our gross profit margin was kept at a similar level. For the year ended 31 March 2019, our gross profit margin increased to approximately 27.5%. Such increase was mainly due to substantial variations work completed with a tight delivery schedule for Job 5, and the agreement of the final account. For the year ended 31 March 2020, our gross profit margin decreased to 17.0%. Such decrease was due to the significant revenue contributed from a relatively low gross profit margin project, namely Job 24, for the year ended 31 March 2020, which was commenced in November 2018 and had a greater impact for the year ended 31 March 2020.

During the Track Record Period, projects with contra-charge generally recorded a higher gross profit margin than projects without contra-charge. Projects without contra-charge are normally main contractor projects, and profit margin of main contractor projects is usually lower than that of the subcontractor projects.

SUPPLIERS

Our suppliers primarily supply the following materials or provide services to us: structural steel, concrete, timber products, PVC panel and metal wares and machinery rental, etc. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, as the main contractor, we are able to choose our own suppliers for our projects, provided that the customer's approval is obtained as may be required.

As at the Latest Practicable Date, there were more than 440 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material difficulties or delays in performing our project works caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given that there is a number of suppliers of construction materials in the market, it is feasible to engage alternative suppliers of construction materials for our Group. Set out below is a breakdown of the number of suppliers by purchase category during the Track Record Period:

BUSINESS

Top five suppliers

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for 40.7%, 59.1%, 48.8%, 21.2% and 21.6% of our total costs of construction materials for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Costs of construction materials incurred for our top five suppliers (excluding our subcontractors) accounted for 86.5%, 90.1%, 69.8%, 52.7% and 57.1% of our total costs of construction materials for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

Set out below is a breakdown of our total costs of construction materials incurred by our top five suppliers during the Track Record Period and their background information:

For the year ended 31 March 2016

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier	
						HK\$'000	%
1	China State	A leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works which is listed on the Main Board of the Stock Exchange (Stock Code: 3311).	Rental of machinery, cement, concrete, steel bar	2012	Contra-charge	52,057	40.7
2	Customer G	An engineering contractor principally engages in structural steelworks and engineering and provision of construction services.	Structural steel products	2013	30 to 120 days	30,894	24.2
3	Build King Group	A leading construction contractor in Hong Kong that offers construction services in civil engineering, buildings and environmental areas. It is listed on the Main Board of the Stock Exchange (Stock Code: 240).	Steel bar, concrete, traffic signs, rental of machinery	2009	Contra-charge	18,973	14.8
4	Supplier D	A private company engages in trading of metal products.	Steel products	2015	30 to 60 days	4,437	3.5
5	Supplier E	A company incorporated in the PRC with limited liability engages in (i) design of vessels; (ii) design, fabrication and assembling of steel structure; and (iii) trading of metal and construction of materials.	Steel formwork moulds	2014	90 to 120 days	4,223	3.3
						110,584	86.5
Top five suppliers combined							
All other costs of construction materials						17,314	13.5
Total costs of construction materials for the year						127,898	100.0

BUSINESS

For the year ended 31 March 2017

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier <i>HKS'000</i>	%
1	China State	A leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works which is listed on the Main Board of the Stock Exchange (Stock Code: 3311).	Rental of machinery, cement, concrete, steel bar	2012	Contra-charge	159,407	59.1
2	Build King Group	A leading construction contractor in Hong Kong that offers construction services in civil engineering, buildings and environmental areas. It is listed on the Main Board of the Stock Exchange (Stock Code: 240).	Steel bar, concrete, traffic signs, rental of machinery	2009	Contra-charge	35,951	13.3
3	Customer F	A joint venture formed between two independent construction contractors and Build King Group which is the main contractor of a Government project.	Concrete and rebar	2016	Contra-charge	26,837	9.9
4	Supplier E	A company incorporated in the PRC with limited liability engages in (i) design of vessels; (ii) design, fabrication and assembling of steel structure; and (iii) trading of metal and construction of materials.	Steel formwork moulds	2014	90 to 120 days	14,947	5.5
5	Customer G	An engineering contractor principally engages in structural steelworks and engineering and provision of construction services.	Structural steel products	2013	30 to 120 days	6,178	2.3
Top five suppliers combined						243,320	90.1
All other costs of construction materials						26,586	9.9
Total costs of construction materials for the year						269,906	100.0

BUSINESS

For the year ended 31 March 2018

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier	
						HKS'000	%
1	Customer F	A joint venture formed between two independent construction contractors and Build King Group which is the main contractor of a Government project.	Concrete and rebar	2016	Contra-charge	39,103	48.8
2	China State	A leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works which is listed on the Main Board of the Stock Exchange (Stock Code: 3311).	Rental of machinery, cement, concrete, steel bar	2012	Contra-charge	7,382	9.2
3	Build King Group	A leading construction contractor in Hong Kong that offers construction services in civil engineering, buildings and environmental areas. It is listed on the Main Board of the Stock Exchange (Stock Code: 240).	Steel bar, concrete, traffic signs, rental of machinery	2009	Contra-charge	4,664	5.8
4	Supplier F	A sole proprietorship in Hong Kong engages in trading wood and timber products.	Timber	2013	30 to 60 days	3,040	3.8
5	Supplier G	A private company engages in design and sales of system formwork.	System formwork	2017	15 days	1,779	2.2
Top five suppliers combined						55,968	69.8
All other costs of construction materials						24,163	30.2
Total costs of construction materials for the year						<u>80,131</u>	<u>100.0</u>

BUSINESS

For the year ended 31 March 2019

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier <i>HK\$'000</i>	%
1	China State	A leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works which is listed on the Main Board of the Stock Exchange (Stock Code: 3311).	Rental of machinery, cement, concrete, steel bar	2012	Contra-charge	14,675	21.2
2	Customer F	A joint venture formed between two independent construction contractors and Build King Group which is the main contractor of a Government project.	Concrete and rebar	2016	Contra-charge	8,858	12.8
3	Customer C	A leading construction and engineering contractor headquartered in Hong Kong.	Concrete	2010	Contra-charge	6,040	8.7
4	Supplier F	A sole proprietorship in Hong Kong engages in trading wood and timber products.	Timber	2013	30 to 60 days	4,093	5.9
5	Supplier L	A leading contractor in Hong Kong which mainly engages in building construction, civil and foundation engineering works.	Concrete, drainage pipe and rebar	2018	Contra-charge	2,845	4.1
						<hr/>	<hr/>
Top five suppliers combined						36,511	52.7
All other costs of construction materials						<hr/> 32,742	<hr/> 47.3
Total costs of construction materials for the year						<hr/> <hr/> 69,253	<hr/> <hr/> 100.0

BUSINESS

For the year ended 31 March 2020

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier <i>HK\$'000</i>	%
1	Customer C	A leading construction and engineering contractor headquartered in Hong Kong.	Concrete	2010	Contra-charge	21,999	21.6
2	Customer M	A joint venture formed between a Korean construction contractor and the Build King Group which is the main contractor of a Government project.	Concrete and rebars	2019	Contra-charge	13,280	13.0
3	Customer L	A joint venture formed between China State and Customer E which is the main contractor of a Government project.	Concrete, beams and pile caps	2017	Contra-charge	12,058	11.8
4	Customer N	A leading construction contractor in Hong Kong that offers construction services in civil engineering works, waterworks, building works, landslip preventive measures and slope works in Hong Kong.	Concrete and rebars	2018	Contra-charge	6,048	5.9
5	Build King-Richwell Engineering Joint Venture	A joint venture formed between our Group and Build King Group which is the main contractor of a Government project.	Concrete and rebars	2017	Contra-charge	4,856	4.8
Top five suppliers combined						58,241	57.1
All other costs of construction materials						43,732	42.9
Total costs of construction materials for the year						101,973	100.0

SUBCONTRACTING ARRANGEMENTS

It is a common industry practice for construction contractors to subcontract part of their works to subcontractors. Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customers' contract requirements, we divide our works into different trades and usually subcontract bar bending and fixing formwork works, scaffolding and fabrication of metal structures in a project.

Our subcontractors include local sole proprietors as well as limited liability companies. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of their subcontracting fees were denominated in HK\$.

We are accountable to our customers for the works performed in a construction project, including the works performed by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project and do not restrict which subcontractors to be engaged by us. For public works projects, the Development Bureau has introduced contractual provisions requiring public works contractors to engage domestic contractors (except nominated subcontractors and specialist subcontractors who will be selected under approval lists only) who are either registered under the Subcontractors Registration Scheme or will complete their registration under the Subcontractor Registration Scheme before the execution of the relevant subcontracted works. If our Group is awarded an NEC contract from the Government, and if target contract is selected as the main option, which in brief is a cost plus contract subject to a pain/gain share mechanism by reference to an agreed target cost built up from activity schedule or bill of quantities (Job 33), an 'Z' Option, i.e. additional conditions of contract, may be added to require a tendering to ensure fair and competitive process in the main contractor's subcontracting procedures. When such an option is adopted by the Government, our Directors expect that there will not be material impact to our operations. We may need to obtain the acceptance from the Government on the proposed subcontractor and subcontract terms. We may also have to adjust our tender strategy in response to the pain/gain share ratio under the pain/gain share mechanism because the employer may have assumed certain unquantifiable risks and our Group may also be able to benefit from savings in project cost where a gain share is realised. But on the other hand, if the contractor can achieve excessive cost saving in a project, the saved cost may benefit the employer according to the gain share ratio and thus the contractor's gain will be reduced.

According to the agreements we entered into with our subcontractors, we are entitled to hold our subcontractors liable for any damages or liability due to making good of defective works suffered by our Group.

Major subcontractors

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, subcontracting charges incurred by our Group amounted to approximately HK\$125,493,000, HK\$217,827,000, HK\$208,312,000, HK\$249,801,000 and HK\$266,436,000, respectively, our Group's subcontracting charges incurred by the largest subcontractor represented 20.5%, 28.9%, 9.7%, 10.2% and 9.9% of our Group's total subcontracting charges for the period, respectively, while subcontracting charges incurred by our Group's top five subcontractors represented 52.1%, 53.2%, 31.6%, 41.2% and 38.8% of our Group's total subcontracting charges for the period, respectively.

BUSINESS

Set out below is the breakdown of our Group's total subcontracting charges incurred to our top five subcontractors and their background information:

For the year ended 31 March 2016

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Subcontractor A	A group of a sole proprietorship and a limited liability company in Hong Kong principally engaged in the provision of bar bending and fixing services	Bar bending and fixing services	2013	30 days	25,774	20.5
2	Subcontractor B	A subsidiary of a company listed on the Main Board of the Stock Exchange engaged in the provision of foundation works	Foundation works	2015	42 days	13,196	10.5
3	Subcontractor C	A limited liability company incorporated in Hong Kong engaged in civil engineering works	Civil engineering works	2013	30 days	10,262	8.2
4	Subcontractor D	A limited liability company incorporated in Hong Kong engaged in the provision of timber formwork services	Timber formwork erection	2015	30 days	8,368	6.7
5	Subcontractor E	A sole proprietorship established in Hong Kong principally engaged in the provision of timber formwork services	Timber formwork erection	2013	30 days	7,841	6.2
						<u>65,441</u>	<u>52.1</u>
						<u>60,052</u>	<u>47.9</u>
					Total subcontracting charges incurred for the year	<u><u>125,493</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 March 2017

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Subcontractor A	A group of a sole proprietorship and a limited liability company in Hong Kong principally engaged in the provision of bar bending and fixing services	Bar bending and fixing services	2013	30 days	62,954	28.9
2	Subcontractor C	A limited liability company incorporated in Hong Kong engaged in civil engineering works	Civil engineering works	2013	30 days	18,721	8.6
3	Subcontractor D	A limited liability company incorporated in Hong Kong engaged in the provision of timber formwork services	Timber formwork erection	2015	30 days	15,473	7.1
4	Subcontractor B	A subsidiary of a company listed on the Main Board of the Stock Exchange engaged in the provision of foundation works	Foundation works	2015	42 days	9,757	4.5
5	Subcontractor E	A sole proprietorship established in Hong Kong principally engaged in the provision of timber formwork services	Timber formwork erection	2013	30 days	8,991	4.1
						<hr/>	<hr/>
Top five subcontractors combined						115,896	53.2
All other subcontracting charges						<u>101,931</u>	<u>46.8</u>
Total subcontracting charges incurred for the year						<u><u>217,827</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 March 2018

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred	
						HKS'000	%
1	Subcontractor A	A group of a sole proprietorship and a limited liability company in Hong Kong principally engaged in the provision of bar bending and fixing services	Bar bending and fixing services	2013	30 days	20,272	9.7
2	Subcontractor E	A sole proprietorship established in Hong Kong principally engaged in the provision of timber formwork services	Timber formwork erection	2013	30 days	12,494	6.0
3	Subcontractor C	A limited liability company incorporated in Hong Kong engaged in civil engineering works	Civil engineering works	2013	30 days	11,569	5.6
4	Subcontractor F	A limited liability company incorporated in Hong Kong engaged in the installation, repairs and maintenance of lifts	Lift installation	2016	35 days	11,011	5.3
5	Subcontractor G	A limited liability company incorporated in Hong Kong engaged in the installation, repairs and maintenance of lifts	Lift installation	2014	35 days	10,434	5.0
Top five subcontractors combined						65,780	31.6
All other subcontracting charges						142,532	68.4
Total subcontracting charges incurred for the year						208,312	100.0

BUSINESS

For the year ended 31 March 2019

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Customer G (Note)	An engineering contractor principally engages in structural steelworks and engineering and provision of construction services	Structural steel product and associated works	2013	30-60 days	25,391	10.2
2	Subcontractor A	A group of a sole proprietorship and a limited liability company in Hong Kong principally engaged in the provision of bar bending and fixing services	Bar bending and fixing services	2013	30 days	21,614	8.7
3	Subcontractor H	A sole proprietorship established in Hong Kong principally engaged in the erection and fabrication of structural steel	Structural steelworks	2018	35 days	21,275	8.5
4	Subcontractor J	A limited liability company incorporated in Hong Kong engaged in metal works	Metal works	2013	30 days	18,639	7.5
5	Subcontractor F	A limited liability company incorporated in Hong Kong engaged in the installation, repairs and maintenance of lifts	Lift installation	2016	35 days	15,776	6.3
Top five subcontractors combined						102,695	41.2
All other subcontracting charges						147,106	58.8
Total subcontracting charges incurred for the year						249,801	100.0

Note: Customer G includes the Transferred Company which our Group incurred subcontracting charges of approximately HK\$2,114,000 after the shareholding of the Transferred Company was transferred in December 2018.

BUSINESS

For the year ended 31 March 2020

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Subcontractor A	A group of a sole proprietorship and a limited liability company in Hong Kong principally engaged in the provision of bar bending and fixing services	Bar bending and fixing services	2013	30 days	26,445	9.9
2	Customer G (Note)	An engineering contractor principally engages in structural steel works and engineering and provision of construction services	Structural steel products and associated works	2013	30-60 days	24,775	9.3
3	Subcontractor K	A limited liability company incorporated in Hong Kong which principally engaged in the provision of tunnel and underground works.	Tunnel and underground works	2019	35 days	20,226	7.6
4	Subcontractor D	A limited liability company incorporated in Hong Kong engaged in the provision of timber formwork services.	Timber formwork erection	2015	30 days	16,414	6.2
5	Subcontractor L	A limited liability company incorporated in Hong Kong principally engaged in welding engineering services.	Welding engineering services	2014	30 days	15,582	5.8
						<hr/>	<hr/>
Top five subcontractors combined						103,442	38.8
All other subcontracting charges						<hr/> 162,994 <hr/>	<hr/> 61.2 <hr/>
Total subcontracting charges incurred for the year						<hr/> <u>266,436</u> <hr/>	<hr/> <u>100.0</u> <hr/>

Note: Customer G includes the Transferred Company which our Group incurred subcontracting charges of approximately HK\$19,350,000 after the shareholding of the Transferred Company was transferred in December 2018.

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the top five subcontractors of our Group during the Track Record Period.

Basis of selecting subcontractors

We maintain an internal list of approved subcontractors which we will review and update on a periodical basis. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. We will review and update our internal list of subcontractors according to our assessment of their performance on a continuing basis.

Major subcontractor which is also our major customer during the Track Record Period

Customer G

We started to have business relationship with Customer G in 2013 when our Group subcontracted to Customer G structural steelworks in Kwun Tong (Job 4). Customer G was acquainted as our subcontractor as we were looking for capable subcontractors to undertake the structural steelworks under Job 4 and Customer G was invited to submit tender through the connection of Mr. KK Tsui, our executive Director, who had known the director of Customer G for years and knew that Customer G was specialised in providing structural steelworks. Later in 2015, 2016 and 2018, our Group subcontracted five other structural steelwork projects in Hong Kong area to Customer G (Job 9, Job 11, Job 13, Job 14 and Job 24). In 2019, a joint venture under establishment between an independent construction contractor, our Group and Customer G was awarded a subcontract to be the joint subcontractor of Job 34 which was commenced in December 2019. In 2020, our Group further subcontracted works in four other steelworks projects to Customer G (namely Job 19, Job 21, Job 26 and Job 27).

The subcontract work scope which we engaged Customer G as our subcontractor was mainly structural steel work, which is the expertise of Customer G. In general, we invite several relevant subcontractors for quotations if subcontracting was required, including the projects where Customer G was engaged. Customer G generally offered more competitive prices as compared with other subcontractors that were invited for quotation for the same scope of works. Our Directors confirm that the subcontracting to Customer G was made after considering the expertise, quality of work, quotation and the relationship of Customer G, and of other potential subcontractors in competition, with our Group. Our Directors consider that the relationship between our Group and Customer G had been good and, after the incorporation of Time Concept in 2014, our Directors introduced Time Concept's business of being a construction subcontractor to Customer G as business development efforts in the hope that Customer G would refer business to Time Concept. In 2018, Customer G subcontracted to Time Concept structural steelwork, glazing, aluminium panel and VE panel for a project in Sham Shui Po District (Job 22). For Job 4, Job 9, Job 11, Job 13, Job 14, Job 19, Job 21, Job 24, Job 26 and Job 27, we were the customer of Customer G but we were not the subcontractor of Customer G. For Job 22 and Job 34, Customer G was our customer and our joint venture partner in respect of a subcontractor project, respectively, and we did not engage Customer G as our subcontractor in the same project. To the best knowledge of our Directors, having made all necessary enquiries, Customer G included two limited liability companies incorporated in Hong Kong and since December 2018, the entire shareholding interest of one of the Hong Kong companies of Customer G, to which we subcontracted structural steel works at Job 24 with a subcontract value of approximately HK\$32.9 million, was transferred to an individual who is an Independent Third Party (the "**Transferred Company**") and not related to Customer G. The Transferred Company continued to act as subcontractor of our Group and save for Job 24, our Group (i) had not subcontracted other projects or acquired any steel products from the Transferred Company; (ii) the Transferred Company had not been our customer; and (iii) our Group had no other business relationship with the Transferred Company or its associates during the Track Record Period.

During the Track Record Period, the overall gross profit margin for Job 4, Job 9, Job 11 and Job 14 were 4.0%, 4.7%, 5.5% and 6.0%, respectively, which were approximately the same level as or slightly lower than our gross profit margin for civil engineering works for the years ended 31 March 2016 to 2019. For Job 4, Job 9, Job 11 and Job 14, the lower gross profit margin was mainly due to our Group acting as main contractor for these projects where main contractor project usually has a lower gross profit margin. Nevertheless, our Directors are of the view that the impact of the subcontracts to Customer G for Job 4, Job 9, Job 11 and Job 14 was minimal to the overall gross profit margin as the subcontract sums represented only 2.3% to 6.3% of our initial main contract sum.

BUSINESS

The following table sets out the details of our projects in which Customer G was our customer or subcontractor during the Track Record Period:

Job 4

Our role: main contractor

Our customer: CEDD

Project works: provision of pedestrian linkage works

Project status: completed

Initial contract sum: approximately HK\$63.5 million

Customer G's role: subcontractor

Customer G's scope in the project: structural steel works relating to temporary staircase, steel sections in footbridge and lift tower

Customer G's initial subcontract sum: approximately HK\$4.0 million

Job 9

Our role: main contractor

Our customer: Highways Department

Project works: provision of barrier-free access facilities for highway structures

Project status: completed

Initial contract sum: approximately HK\$314.0 million

Customer G's role: subcontractor

Customer G's scope in the project: structural steel works for the provision of steel hollow sections, steel plates and stainless steel holding down bolts for the barrier-free access facilities and footbridge

Customer G's initial subcontract sum: approximately HK\$8.1 million

Job 11

Our role: main contractor

Our customer: CEDD

Project works: provision of universal access facilities for highway structures

Project status: ongoing

Initial contract sum: approximately HK\$125.5 million

BUSINESS

Customer G's role: subcontractor

Customer G's scope in the project: structural steel works for the provision of steel hollow sections and stainless steel holding down bolts for the steel structure

Customer G's initial subcontract sum: approximately HK\$2.8 million

Job 13

During the Track Record Period, the overall gross profit margin for Job 13 was 17.6%, the higher gross profit margin was mainly due to substantial variations instructed by our customer within a relatively tight delivery schedule and the variations resulted in higher gross profit margin.

Our role: subcontractor

Our customer: Customer F

Project works: provision of bridge works

Project status: completed

Initial contract sum: approximately HK\$256.2 million

Customer G's role: sub-subcontractor

Customer G's scope in the project: structural steel works for the supply of temporary support for panel installation, grouting the base plate and supply of steel parapet mould

Customer G's initial subcontract sum: HK\$10.1 million

The subcontract value of Customer G is approximately 2.8% of the total contract sum (including the agreed value of the variations) of Job 13.

Job 14

Our role: main contractor

Our customer: Highways Department

Project works: provision of barrier-free access for highway structures

Project status: ongoing

Initial contract sum: approximately HK\$126.0 million

Customer G's role: subcontractor

Customer G's scope in the project: structural steel works for the provision of steel hollow sections, hot-dip galvanised coating, and stainless steel holding down bolts for the steel structure

Customer G's initial subcontract sum: approximately HK\$4.8 million

BUSINESS

Job 19

During the Track Record Period, the overall gross profit margin for Job 19 was 19.0%, the higher gross profit margin was mainly due to the nature of work and technical complexity of the project which involved underground works and a relatively narrow working space allowed in construction of the deep and large ventilation shaft.

Our role: subcontractor

Our customer: Customer L

Project works: provision of formwork and concrete placing for concrete structure for tunnel erection

Project status: ongoing

Initial contract sum: approximately HK\$78.6 million

Customer G's role: sub-subcontractor

Customer G's scope in the project: steel works for welding

Customer G's initial contract sum: approximately HK\$1.2 million

Nevertheless, our Directors are of the view that the impact of the subcontract to Customer G for Job 19 was minimal to the overall gross profit margin as the subcontract sum represented only 1.6% of our initial contract sum.

Job 21

During the Track Record Period, the overall gross profit margin for Job 21 was 17.0%, the higher gross profit margin was mainly due to project nature of the subcontract as our bridge works usually have a higher gross profit margin as bridge works involve working at height and are relatively technically complex and more risky.

Our role: subcontractor

Our customer: Customer N

Project works: construction of bridge superstructure and associated works

Project status: ongoing

Initial contract sum: approximately HK\$50.9 million

Customer G's role: sub-subcontractor

Customer G's scope in the project: disassembling of gantry for a construction site

Customer G's initial contract sum: approximately HK\$178,000

Our Directors are of the view that the impact of the subcontract to Customer G for Job 21 was minimal to the overall gross profit margin as the subcontract sum represented only 0.3% of our initial contract sum.

BUSINESS

Job 22

During the Track Record Period, the overall gross profit margin for Job 22 was 5.0%, which was lower than the gross profit margin for civil engineering works for the year ended 31 March 2019 as our quotation was in our view quite attractive after considering the complexity of the project and our intention to accumulate more job references of structural steel projects.

Our role: subcontractor

Project works: structural steelwork, glazing, aluminium panel and VE panel

Project status: ongoing

Initial contract sum: approximately HK\$41.5 million

Customer G's role: our customer

Job 24

Job 24 was a building works project commenced in November 2018, the project gross profit margin for the year ended 31 March 2019 was 12.0%, which was slightly higher than our Group's gross profit margin for the building works segment.

Our role: subcontractor

Our customer: Build King Group

Project works: provision of structural steelwork

Project status: ongoing

Initial contract sum: approximately HK\$44.3 million

Customer G's role: sub-subcontractor

Customer G's scope in the project: supply and installation of structural steelwork

Customer G's initial subcontract sum: approximately HK\$32.9 million

BUSINESS

Job 26

For the two years ended 31 March 2020, the overall gross profit margin for Job 26 was approximately 10.0%, which was slightly lower than our Group's gross profit margin for the civil engineering works for the two years ended 31 March 2020. The lower gross profit margin was mainly due to our Group acting as main contractor for Job 26 where main contractor project usually has a lower gross profit margin.

Our role: main contractor

Our customer: CEDD

Project works: provision of advance works for cycle track

Project status: ongoing

Initial contract sum: approximately HK\$53.1 million

Customer G's role: subcontractor

Customer G's scope in the project: (i) supply and installation of temporary steel ramp for pedestrian used at existing footbridge with painting including shelter, handrail and rain water collection system with down pipe and (ii) provide structure steel works

Customer G's initial contract sum: approximately HK\$1.1 million in aggregate

Our Directors are of the view that the impact of the subcontract to Customer G for Job 26 was minimal to the overall gross profit margin as the subcontract sum represented only 2.0% of our initial contract sum.

Job 27

For the two years ended 31 March 2020, the overall gross profit margin for Job 27 was approximately 7.0%, which was slightly lower than our Group's gross profit margin for the civil engineering works for the two years ended 31 March 2020. The lower gross profit margin was mainly due to our Group acting as main contractor for Job 27 where main contractor project usually has a lower gross profit margin.

Our role: main contractor

Our customer: CEDD

Project works: provision of footbridge works

Project status: ongoing

Initial contract sum: approximately HK\$39.4 million

Customer G's role: sub-subcontractor

Customer G's scope in the project: structural steel works for the erection of footbridge

Customer G's initial contract sum: approximately HK\$1.2 million

BUSINESS

Our Directors are of the view that the impact of the subcontract to Customer G for Job 27 was minimal to the overall gross profit margin as the subcontract sum represented only 3.1% of our initial contract sum.

The contractual terms for our subcontracts with Customer G are materially similar to our Group's other subcontractors and the terms summarised in the paragraph headed "Key terms of subcontracting engagement" below; and the material terms that Customer G subcontracted to Time Concept are also materially similar to other customers of Time Concept and the terms summarised in the paragraph headed "Customers, sales and marketing – Principal terms of our contracts with customers" in this section. During the Track Record Period, these projects were not loss-making.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we recognised revenue of approximately nil, nil, nil, HK\$34,071,000 and HK\$10,990,000 from Customer G and subcontracting charges of approximately HK\$1,570,000, HK\$389,000, HK\$3,963,000, HK\$25,391,000 and HK\$24,775,000, respectively, to Customer G. For the projects we had engaged Customer G as our subcontractor, we had procedures to obtain quotations from other independent subcontractors for comparison. For illustration purposes only, if the subcontracts to Customer G were subcontracted to the subcontractor which provided the next best quotation instead, the subcontracting charges for the same scope of works of Customer G as given in that next best quotation would increase by approximately HK\$43,000, HK\$14,000, HK\$146,000, HK\$1,021,000 and HK\$1,250,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. However, this comparison is for illustration only and hypothetical in nature as our Group would generally negotiate with the shortlisted subcontractors for better offer.

As a provider of structural steelwork construction services, Customer G had a subsidiary in China that sells steel and stainless steel products. We purchased steel products, which were mainly temporary steel structure components, from that subsidiary of Customer G for the use in our construction projects. Customer G was one of our top 5 suppliers for the years ended 31 March 2016 and 2017 and the purchases from Customer G amounted to approximately HK\$30,894,000 and HK\$6,178,000, respectively. For the purchases of stainless steel products we made from Customer G, we had obtained quotations from other independent suppliers. For illustration purposes only, had these purchases of stainless steel been made from the next best quotation of stainless steel products supplier, the purchases would cost approximately HK\$1,276,000 and HK\$258,000 higher for the years ended 31 March 2016 and 2017, respectively.

After the change in shareholding in the Transferred Company in December 2018, we recorded subcontracting charges to the Transferred Company of approximately HK\$2,114,000 and HK\$19,350,000 for the years ended 31 March 2019 and 2020, respectively.

According to the Ipsos Report, multilayer subcontracting is a common practice in the construction industry in Hong Kong. Our Directors confirmed that the subcontracting services we provided to Customer G were also rendered to customers other than Customer G, and such subcontracting services did not have any linkage with the subcontracting works we granted to Customer G, and our Directors are of the view that the subcontracting services we received/provided were entered into in our ordinary course of business and on normal commercial terms.

To the best knowledge and belief of our Directors, Customer G, the Transferred Company, and their respective ultimate beneficial owner(s) are Independent Third Parties. Our Directors confirm that, to the best of their knowledge and belief, other than construction business relationship, none of our Group, our Directors, the Shareholders, our senior management, or their respective close associates had any past or present relationship (including shareholding, employment, business or trust relationship), agreement, financing, fund flow or other transactions, arrangement or understanding with Customer G, the Transferred Company, their respective ultimate beneficial owners or directors.

BUSINESS

Key terms of subcontracting engagement

Similar to the arrangement between our customer and our Group, we also do not enter into any long-term contract with our subcontractors. We enter into written agreement (generally with a term of engagement mirroring with the terms of the contract with our customer) with our subcontractors governing the general terms of subcontracting arrangement. The following summarise the common key terms of engagement with our subcontractors:

Scope of works and specification	:	The scope, specifications and location of the works as we subcontract to our subcontractor.
Subcontracting fee	:	The amount of fee to be payable by our Group to the subcontractor for completing the scope of works in the subcontract.
Payment terms	:	In general, payment is settled once a month according to the value of works performed in the previous month.
Defects liability period and retention money	:	A defects liability period is generally provided, if applicable, by the subcontractor for 12 months after completion of its works during the period the subcontractor is required to make good of any defects identified. A retention money of 10% is normally withheld from each progress payment we paid to the subcontractor and such retention money will be released after completion of the project.
Safety and prohibition of illegal workers	:	The subcontractor shall abide by all relevant safety laws and regulations in Hong Kong and its labour should be equipped with safety helmet, reflective vest, and if necessary, use safety belts, goggles, gloves and mask. In addition, the subcontractor should follow the safety instructions from the main contractor. Penalty or fine applies to subcontractor who contravenes.
Insurance	:	In general, for the project, employees' compensation insurance, contractor's all risks insurance and third party insurance are provided by the main contractor.
Others	:	The subcontract should be on a back-to-back basis with the contract entered into by our Group and our customer.

Control over subcontractors

In order 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 our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project team regularly convenes meetings with our subcontractors and closely monitors their work progress and performance as well as their compliance with on-site safety measures and our quality standards. For further information about our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed “Quality assurance”, “Occupational health and safety” and “Environmental protection” in this section.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers regarding to the quality of work performed by us and our subcontractors.

INVENTORY

Our Group does not maintain inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

MACHINERY

We rely on the use of machinery and equipment in performing our work. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we acquired new site equipment in the amount of approximately HK\$1,352,000, HK\$443,000, HK\$200,000, HK\$1,519,000 and HK\$3,698,000, respectively. As at 31 March 2020, our site equipment carried a net book value of approximately HK\$3,994,000. The following are major types and a brief description of site equipment used by our Group:

(i) Excavator

An excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on an upperstructure which could rotate. The upperstructure sits atop an undercarriage with tracks or wheels.

(ii) Dumping lorry/dumping lorry with grab

A dumping lorry is a large motor vehicle that carries heavy loads, such as sand or construction wastes/materials. A dumping lorry may also be equipped with grab such that it can grab materials to the compartment.

(iii) Air compressor

An air compressor is a device that forces air into a chamber and compresses the air to provide high-pressure air to power pneumatic tools, such as jackhammers.

(iv) Diesel generator

A diesel generator in a construction site provides power for different tools and machinery.

BUSINESS

(v) **Crane lorry**

A lorry equipped with a crane for grabbing or lifting goods or materials on site and for transportation.

(vi) **Mobile crane**

A mobile crane is a cable-controlled crane mounted on crawlers with a telescoping boom mounted on truck-type carriers. It is used for lifting operations in industrial undertakings.

The following table sets out the useful life, average age and average remaining useful rate of our major types of site machinery as at 31 March 2020:

	Number of units	Expected useful life (Years)	Average age (Years)	Average remaining useful life (Years)
Excavator	12	4	4.2	N/A (Note)
Dumping lorry/dumping lorry with grab	1	4	5.5	N/A (Note)
Air compressor	5	4	11.3	N/A (Note)
Diesel generator	12	4	3.2	0.8
Crane lorry	5	4	4.4	N/A (Note)
Mobile crane	5	4	9.7	N/A (Note)

Note: These machinery had an average age that exceeded the expected useful life.

We adopt a straight-line depreciation policy on our machinery. For details of relevant accounting policies and estimates, please refer to Note 4 to the Accountants' Report set out in Appendix I to this prospectus.

In general, our Directors consider that the optimal life of our machinery during which they operate most efficiently is approximately the first four years after they are put into operation. After such period, the efficiency of our machinery generally starts to deteriorate and the cost of maintenance gradually increases. We engage third party service providers to repair and maintain our machinery. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, expenses in repairing and maintaining our machinery were approximately HK\$2,226,000, HK\$2,019,000, HK\$2,789,000, HK\$9,299,000 and HK\$8,582,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our machinery.

As at the Latest Practicable Date, our Directors consider that our existing machinery and motor vehicles were in good condition. We do not have a pre-determined or regular replacement cycle for our machinery and motor vehicles and replacement decisions are made on a case-by-case basis having regard to the operating condition of the individual units of machinery and motor vehicles.

Financing arrangements for the purchase of motor vehicles

During the Track Record Period, our Group purchased certain machinery from suppliers through finance lease arrangements with financial institutions. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery to our Group as the lessee, the relevant machinery was accounted for as our Group's assets under the category of plant and equipment.

As at 31 March 2016, 2017, 2018 and 2019, the interest rates are fixed at the contract date of 1.95%, 2%, 3.25% and ranging from 2.5% to 3.5% per annum for our finance leases, respectively. Our Group had no plant and equipment under finance leases as at 31 March 2020.

Service capacity and utility rate

Due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of the machinery for the following reasons:

- (i) different projects require different types of machinery depending on their scope of work. Therefore it is not feasible and meaningful to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;
- (ii) a typical civil engineering project requires the use of different machinery at different stages, and machinery from time to time is left unused in active construction sites pending completion of other stages; and
- (iii) we subcontract parts of our works to subcontractors, some of which had their own fleet of machinery for performing the subcontracted works and, in such situation, our machinery will be idle. Therefore, the calculation of utilisation rate of our machinery may be misleading regarding the construction activities of our projects.

In view of the above, it would be difficult and impracticable to define appropriate and accurate utilisation rate of machinery in general and to make a full account of the daily/hourly usage of each individual machinery.

Lease of machinery

From time to time, we may lease machinery and equipment from other independent third parties to provide us with flexibility to supplement our fleet of machinery. During the Track Record Period, we rented machinery from independent third parties including cranes. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we incurred machinery leasing expenses of approximately HK\$10,600,000, HK\$26,076,000, HK\$9,487,000, HK\$10,456,000 and HK\$14,535,000, respectively. With the possession of our own machinery and motor vehicles, our Directors consider that we can reduce the reliance on our suppliers for machinery and motor vehicle rental services and expect that the benefits of reducing rental expenses would outweigh the depreciation and maintenance expenses of self-owned machinery and equipment.

BUSINESS

AWARDS AND ACCREDITATION

We have received a number of awards or certificates during our operating history in recognition of our outstanding performance and commitment and dedication in health safety management and quality assurance. The table below sets out our major awards or certificates obtained by our Group:

Year of award	Description	Awarding organisation
2015	Certificate of Participation – 14th Hong Kong Occupational Safety & Health Award – Safety Enhancement Program Award	Occupational Health and Safety Council
2016	Certificate of Participation – Best Safety Enhancement Program for Working at Height to Contract HY/2013/23	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2016	Certificate of Participation – Best Safety Culture Site to Project KF2, Hong Wing Path, Tsim Sha Tsui	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2016	Certificate of Participation – Best Method Statement to Contract HY/2013/23	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2016	Certificate of Participation – Best Program to Prevent Heat Stroke at Work to Contract HY/2013/23	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2017	Letter of Commendation – Good Construction Site Safety Performance	Civil Engineering and Development Department
2018	Letter of Commendation – Good Construction Site Safety Performance	Civil Engineering and Development Department
2018	Certificate of Participation – Best Health Protection Program for Employees to Provision of Barrier-free Access Facilities for Highway Structures – Phase 3 Contract 4	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2018	Certificate of Participation – Best Safety Culture Site to Provision of Barrier-free Access Facilities for Highway Structures – Phase 3 Contract 4	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2018	Certificate of Participation – Best Method Statement to Provision of Barrier-free Access Facilities for Highway Structures – Phase 3 Contract 4	Occupational Health and Safety Council – Labour Department – Construction Industry Council

BUSINESS

Year of award	Description	Awarding organisation
2018	Certificate of Participation – Best Safety Enhancement Program for Working at Height to Provision of Barrier-free Access Facilities for Highway Structures – Phase 3 Contract 4	Occupational Health and Safety Council – Labour Department – Construction Industry Council
2019	HKCA Proactive Safety Contractor Award For the Year 2018	Hong Kong Construction Association
2020	Silver Prize in the Safety Teams category in the Construction Industry Safety Award Scheme 2019/2020	Labour Department

QUALITY ASSURANCE

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001: 2015. We have in-house quality assurance requirements specifying work procedures, procurements and practices, responsibilities of personnel of different levels, quality inspection procedures and standards, material storage, housekeeping, subcontracting procedures and accident reporting. Compliance of these quality assurance requirements is mandatory for our staff, workers and subcontractors.

In executing projects, we highlight the control on work quality, which comprises control on work progress, quality control of workmanship and quality control of materials. Our project managers, engineers and foremen are responsible for supervising the overall daily activities and overseeing the master programme, quality issues of our works, materials and workmanship of our own labour and subcontractors. We are committed to delivering quality services as we consider that quality assurance is a key to customer relationship management.

We are responsible for the quality of works which are executed by our subcontractors. Our site agent and foremen ensure our subcontractors to provide sufficient resources and work under our supervision. Our subcontractors shall inform our project managers on the project status and matters of concerns.

In respect of construction materials, we have procedures in place to select suppliers, place orders and inspect delivered materials to ensure the construction materials are up to the required quality and specifications. For major materials such as concrete and steel reinforcement, (i) we record the concrete arrival time such that it must be placed before it is hardened and make concrete samples for the gauging of the quality of concrete; and (ii) we examine the mill certificates of the steel reinforcement and sample test the batch in accordance with the specifications. We also obtain shop drawings and specifications of other major construction materials to ensure they properly conform to the specifications and standards and facilitate the approval of the customers before they are ordered or put into use.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not received any material complaint or claim for compensation from our customers due to quality issue in relation to works performed by our Group or by our subcontractors.

OCCUPATIONAL HEALTH AND SAFETY**Occupational health and work safety measures**

We place strong emphasis on occupational health and work safety during the delivery of our services not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees, subcontractors, the other parties in the construction site as well as the general public in situation that threatens their health and safety. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations and managed by our safety department under the supervision of Mr. Ian Tsui, our executive Director, whose background and industry experience are detailed in the section headed “Directors, Senior Management and Staff” in this prospectus. Due to the inherent nature of works in construction sites which very often involves working at height and usage of mechanical equipment and machinery, construction workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, we have established safety plans and in-house rules to provide our employees and our subcontractors’ employees with a safe and healthy working environment by specifying various safety measures.

Our safety policy states that (i) our Group is committed to ensuring the health and safety for our staff in the construction sites; and (ii) safety cannot be compromised even though quality and efficiency may be traded-off. Our safety policy sets out the following safety measures:

- Effective promotion and communication of safety procedures are clearly shown in safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records;
- Mechanism is established to allow different levels of staff to express opinions and report complaints on safety and health;
- If hazards or threats are found on site, the safety officer or responsible staff should order suspension of work, until the hazards and threats are removed;
- All employees on site, including those of our subcontractors, are required to attend site safety induction training before they are permitted to commence works on site;
- For specific operation, such as working in confined space, gas or electric welding, flame cutting, lifting of loads, risk must be assessed and equipment must be regularly checked and properly maintained. Personnel responsible for the operation must possess relevant certificates recognised by the regulatory authority;
- Specific safety measures in relation to emergency, flooding, working at height, roadwork or works adjacent to live carriageway, sewerage and drainage works, site transport, construction of temporary access roads, safe operation of plant and machinery and reporting of hazards and accidents are communicated with workers and documented in detail; and
- Site inspection and safety walk are conducted regularly by our safety officers and supervisors to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.

BUSINESS

System of recording and handling accidents and our safety compliance record

If an accident occurs, the injured worker (including our employees and our subcontractor's employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved and take statements from the injured worker, witness of the accident and other relevant personnel. If the accident is a "reportable accident", i.e. workplace accidents that are required to be reported to the Labour Department, as assessed by our safety officer or site agent, he will prepare an accident report and submit it to our project manager for review and then submit it to the main contractor of the project and the Labour Department within the period as specified under the relevant laws and regulations. For any accident that results in total or partial incapacity of an employee, the accident should be reported to the Labour Department in writing within 14 days after the date of the accident or after the happening of the accident was first brought to the notice of the employer or otherwise came to the employer's knowledge. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident or after the happening of the accident was first brought to the notice of the employer or otherwise came to the employer's knowledge.

Remedial actions will be taken by our project team to remove imminent danger and to prevent similar accidents from occurring again. Our safety officer will carry out follow-up inspection to ensure that remedial works are implemented.

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	Construction industry in Hong Kong (Note 1)	Our Group (Note 2)
	From 1 January 2015 to 31 December 2015	From 1 April 2015 to 31 March 2016
Industrial accident rate per 1,000 workers in construction industry	39.1	11.8
Industrial fatality rate per 1,000 workers in construction industry	0.200	–
	From 1 January 2016 to 31 December 2016	From 1 April 2016 to 31 March 2017
Industrial accident rate per 1,000 workers in construction industry	34.5	26.6
Industrial fatality rate per 1,000 workers in construction industry	0.093	–

BUSINESS

	From 1 January 2017 to 31 December 2017	From 1 April 2017 to 31 March 2018
Industrial accident rate per 1,000 workers in construction industry	32.9	14.1
Industrial fatality rate per 1,000 workers in construction industry	0.185	–

	From 1 January 2018 to 31 December 2018	From 1 April 2018 to 31 March 2019
Industrial accident rate per 1,000 workers in construction industry	31.7	6.0
Industrial fatality rate per 1,000 workers in construction industry	0.125	–

	From 1 January 2019 to 31 December 2019	From 1 April 2019 to 31 March 2020
Industrial accident rate per 1,000 workers in construction industry	N/A	8.7
Industrial fatality rate per 1,000 workers in construction industry	N/A	–

Notes:

1. The statistics are obtained from the Occupational Safety and Health Statistics Bulletin Issue No. 19 (August 2019) published by Occupational Safety and Health Branch of the Labour Department and Hong Kong Housing Authority and Housing Department.
2. Our Group's accident rate is calculated as the occurrence of accident during the financial year divided by average construction site workers in the construction sites during the financial year and multiply the result by 1,000. The average construction site workers include employees of our Group and those of our subcontractors.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the accident rate of our Group and subcontractors per 1,000 workers was 11.8, 26.6, 14.1, 6.0 and 8.7, which was lower than the industrial accident rate per 1,000 workers of 39.1, 34.5, 32.9 and 31.7 in Hong Kong construction industry for the years ended 31 December 2015, 2016, 2017 and 2018, respectively and the difference between our Group's accident rate and the construction industry's accident rate, which suggested that our Group had a better safety performance than the industry average. Besides, there was no fatal accident in our projects during the years ended 31 March 2016, 2017, 2018, 2019 and 2020.

BUSINESS

A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

For the year ended 31 March 2016	4.0
For the year ended 31 March 2017	8.8
For the year ended 31 March 2018	4.8
For the year ended 31 March 2019	2.0
For the year ended 31 March 2020	2.9

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the number of working hours of each worker is 10 hours per day. The number of working days for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was 295 days, 301 days, 294 days, 297 days and 298 days, respectively.
2. Employees of our Group and our subcontractors are included in the LTIFRs shown above.

The following table sets out the common nature and type of material industrial accidents which occurred during the Track Record Period or may occur in construction site and the corresponding safety measures and requirements to prevent the occurrence of similar accidents:

Nature and type of industrial accidents

Safety measures and requirements undertaken

Contusion, bruise, sprain and/or fracture injury caused in connection with slipping and falling on floor	Workers are required to strictly follow the relevant safety rules of our Group to maintain safe working environment and site tidiness. Under circumstances where working on slippery or uneven road surface are inevitable, we require our workers to strictly follow our relevant safety guidelines for working on slippery or uneven road surface, such as the use of different protective equipment, like slip-proof safety shoes.
Contusion, laceration, sprain and/or fracture injury caused in connection with lifting and carrying materials	We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is required, our Group will provide relevant facilities to facilitate such manual works. Training to workers in relation to the correct handling techniques will also be provided in accordance with the relevant rules and regulations.
Contusion, bruise, sprain and/or fracture injury cause in connection with falling from height	Workers are required to strictly follow relevant safety rules imposed by our Group whilst working at height. For works to be conducted within lift shafts and at a height of 2 metres or above, the relevant working platforms, facilities or structures shall be inspected by a competent person before commencement of work and regularly during work. If the specified height is reached, workers are strictly required to wear safety harness attached to secure anchorage point or independent lifeline.

ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

We are committed to minimising the adverse impact to the environment caused by our business operations. In order to comply with the applicable environmental protection laws and regulations, Richwell Engineering had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001: 2015. We have established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal matter. Our Group considers that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material in the coming years.

During the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees' Compensation Ordinance, 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. We have obtained insurance coverage in accordance with such requirement.

Pursuant to section 40(1B) of the Employees' Compensation Ordinance, where a main 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 its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the relevant main contractor.

Our Directors confirmed that during the Track Record Period, all our construction projects were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by our Group or our main contractors for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and the works performed by them in the relevant construction site. During the Track Record Period, our Group maintained insurance coverage against (i) liability for third party bodily injury occurred in our office premises and (ii) third-party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

BUSINESS

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our insurance expenses amounted to approximately HK\$1,040,000, HK\$1,980,000, HK\$1,092,000, HK\$943,000 and HK\$1,642,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

COMPETITIVE LANDSCAPE

For the civil engineering sector, the gross output value fluctuated with an overall decreasing trend at a CAGR of approximately -3.0% attributed to a significant reduction in 2019 due to delays in funding approval of large-scale public works. However, the civil engineering sector is expected to grow steadily from 2020 to 2024 at a CAGR of approximately 4.4% with several Government projects such as the Three-Runway System and New Development Areas. Ipsos noted that the civil engineering works industry in Hong Kong is relatively concentrated, with the top five players accounting for 37.3% of the total industry revenue in 2019. According to the Ipsos Report, contractors in Hong Kong compete on several key factors, including the technical expertise, quality of works and client relationship, details of which are set out in the section headed “Industry Overview – Factors of competition” in this prospectus.

Our Directors consider that our Group is operating in a competitive industry, as demonstrated by the fact that by June 2020, there were 1,433 structural and civil engineering subcontractors on General Civil Works being registered under the Construction Industry Council, and there were 159 and 86 companies were registered on the Approved Contractors List under the Roads and Drainage and Site Formation categories respectively. Our Directors are of the view that our Group has spent considerable efforts in maintaining our competitiveness, including the relationship management with customers and other contractors, acquisition of machinery, undertaking larger variety of projects and formulating business strategies to achieve long term business growth. Our Directors and project management team has placed emphasis on technical expertise and quality of works and consider that customer relationship is an important aspect of our business. During the Track Record Period, some of our major customers have engaged us for more than one project.

We have increased our size of machinery and equipment and fleet of vehicles, together with our abundance of experience in the construction industry, our Directors believe that our Group is in a competitive position in Hong Kong.

BUSINESS

PROPERTY INTERESTS

Leased properties

As at the Latest Practicable Date, our Group does not own any property. The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Monthly rental	Use of the property(ies)	Date of expiry of lease term
Unit No. 2808, 28th Floor, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	HK\$21,500 for the first year; HK\$22,200 for the second year	Office	31 May 2022
Unit 1701, 17th Floor, One Midtown, 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	HK\$36,000	Workshop	22 April 2022
Unit 1706, 17th Floor, One Midtown, 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	HK\$19,300	Workshop	31 December 2020
Unit 1901, 1902, 1902 storeroom, 1903 and 1905, 19th Floor, One Midtown, 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	HK\$111,650	Workshop	30 June 2021

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group has registered ten trademarks and one domain name in Hong Kong, which are intended to be used by our Group to promote our corporate image.

Information relating to our intellectual property rights is set out in the paragraph headed “Statutory and General Information – B. Further information about the business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any litigation related to infringement of intellectual property rights, whether as a claimant or defendant.

BUSINESS

LICENSES, PERMITS AND REGISTRATION

We hold various licences and qualifications in respect of our operation. As confirmed by our Directors, during Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary licences and qualifications which are material to our business operations and such licences and qualifications remained valid as at the Latest Practicable Date. The following tables summarise details of the licences and/or qualifications held by our Group members as at the Latest Practicable Date.

1. Approved Contractors List

The following table summarises the details of registrations held by our Group members as at the Latest Practicable Date:

Type of registration	Granting authority	Grantee	Date of first registration	Date of expiry
Approved Contractor – Roads and Drainage under Group C (Probation)	Development Bureau	Richwell Engineering	10 March 2016 (Note 1)	Not applicable (Note 2)
Approved Contractor – Site Formation under Group B (Probation)	Development Bureau	Richwell Engineering	12 September 2007	Not applicable (Note 2)
Approved Contractor – Roads and Drainage under Group B (Probation)	Development Bureau	Richwell CE	30 May 2018	Not applicable (Note 2)

Notes:

1. Richwell Engineering was first registered in the Approved Contractors List in the category of Roads and Drainage under Group B (Probation) on 17 March 2009. On 3 July 2014, Richwell Engineering was conferred the Group B (Confirmed) status under the same category. Richwell Engineering was promoted to Group C (Probation) under the Roads and Drainage category on 10 March 2016.
2. The registration in the Approved Contractors List is not subject to a renewal condition. Contractors in Group B of the relevant works category have tender limit for contracts of value of up to HK\$300 million and contractors in Group C of the relevant works category tender for contracts of any values of exceeding HK\$300 million. For more details, please refer to the section headed “Regulatory Overview” in this prospectus.

BUSINESS

2. Subcontractors Registration Scheme

Our Group is registered as a registered specialist trade contractor/subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date.

Type of registration	Issuing authority	Grantee	Categories		Date of expiry
			Trade	Specialty	
Registered specialist trade contractor/subcontractor	Construction Industry Council	Richwell Engineering	Demolition Concreting Formwork Reinforcement Bar Fixing Concreting Scaffolding Foundation and Piling Structural Steelwork General Civil Works	– Micro piles – Earthwork – Roadworks – Road drainage and sewer – Geotechnical works – Ground investigation – Others (Water works)	13 December 2023
Registered specialist trade contractor/subcontractor	Construction Industry Council	Richwell CE	Demolition Concreting Formwork Reinforcement Bar Fixing Concreting Scaffolding Foundation and Piling Structural Steelwork General Civil Works	– Micro piles – Earthwork – Roadworks – Road drainage and sewer – Geotechnical works – Ground investigation – Others (Water works)	10 December 2023

BUSINESS

EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at the Latest Practicable Date, we had 306 full-time employees who were directly employed by our Group. A breakdown of our employees by function as at the dates as indicated is set out below:

	As at 1 April 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at 31 March 2020	As at the Latest Practicable Date
Directors (of our Company and subsidiaries)	3	3	3	3	3	3	3
Project management							
– on site	1	1	2	2	3	2	1
– back office	1	1	1	1	1	1	1
Quantity surveying							
– on site	5	9	10	14	15	16	19
– back office	1	1	1	1	–	2	2
Engineering	28	43	48	42	53	54	60
Safety	6	9	10	9	9	14	12
Administration and accounting							
– on site	7	14	18	16	18	12	15
– back office	4	2	2	1	7	7	9
Purchasing							
– on site	3	3	1	2	2	2	5
– back office	–	–	–	–	2	4	2
Site worker							
– on site	148	168	230	173	181	183	176
– back office	–	–	–	–	2	1	1
Total	207	254	326	264	296	301	306

Note: As at the Latest Practicable Date, we had 7 qualified engineers.

Our number of employees increased from 254 as at 31 March 2016 to 326 as at 31 March 2017. Such increase was mainly due to three projects each with contract sum exceeding HK\$200 million which were commenced during the period. As at 31 March 2018, our number of employees dropped to 264, mainly due to a large project with a contract sum over HK\$300 million which was completed during the year. As at 31 March 2019, 2020 and the Latest Practicable Date, our number of employees increased to 296, 301 and 306 to cater to the need of newly commenced projects.

The costs of employees are accounted for in administrative and other operating expenses or direct costs, depending on the major duties of the staff being performed at our office or for project works on site. Generally, staff costs for project management staff, safety, quantity surveying, engineering, purchasing and site workers are accounted for as direct costs, except for the staff costs of a few project management, purchasing and quantity surveying staff stationed in the back office responsible for overall project supervision and tender evaluation and submission which are accounted for as administrative and other operating expenses. Also, staff costs for Directors, administration and accounting and purchasing staff are generally accounted for as administrative and other operating expenses, except for the staff costs for a few administration and accounting staff stationed on site, including contract officers, site office assistants and site clerks, are accounted for as direct costs.

BUSINESS

We generally recruit our staff through referral, placing recruitment advertisements and websites in the labour market. We believe that the relationship and co-operation between our management and employees have been good and we expect that such relationship and co-operation will stay amicable going forward. There has not been any incident of strike or labour shortage or material labour dispute during the Track Record Period, which adversely affected our operations.

Our employees are invaluable assets of our Group and we are dedicated to managing human capital. We believe that continuous staff training and development will not only improve our staff's performance, but will also enhance loyalty and staff morale. For our new recruits, we offer induction training courses which cover practical and technical aspects of their works, together with our corporate culture and core value.

We also provide ongoing training programmes for our employees and provide subsidies to staff for courses recognised by our management and related to their jobs. Our workers are also provided with training on workplace safety and other job related areas to facilitate them to maintain their qualifications on site. We believe that these measures will also serve as a means to retain quality staff.

Remuneration package we offered to our staff generally includes basic salary, discretionary bonuses and allowance. We review the performance of our employees on a periodical basis in order to design salary adjustment and promotions and keep our remuneration package competitive. We have conditionally approved and adopted the Share Option Scheme, which will enable us to grant options to selected participants, including our employees, as incentives or rewards for their contributions to our Group. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with all the applicable employment laws, rules and regulations in Hong Kong.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the outstanding claims and litigations against our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

(a) Past and outstanding employees' compensation claims against our Group during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, there had been 26 employees' compensation claims, involving injuries to workers who were employed by our Group or by our subcontractor(s) in the corresponding period, reported to the Labour Department against our Group, 21 of which were fully settled or concluded while the remaining 5 outstanding claims are still ongoing. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Our Directors confirmed that all of the 21 settled and 5 outstanding employees' compensation claims were fully covered by the relevant insurance taken out by our Group or our main contractor.

BUSINESS

The number of accidents in relation to the employees' compensation claims reported to the Labour Department against our Group during the Track Record Period and up to the Latest Practicable Date is set out below:

For the year ended 31 March 2016	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2019	For the year ended 31 March 2020	From 1 April 2020 and up to the Latest Practicable Date
3	10	6	2	4	1

The nature of injury leading to the 26 employees' compensation claims reported to the Labour Department can be generally classified as (i) contusion and bruise; (ii) contusion and bruise and sprain and strain; (iii) fracture; (iv) fracture and laceration; (v) multiple injuries; and (vi) others.

(b) Civil litigation against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were 6 outstanding civil litigations all of which relate to employees' compensation claims and common law personal injuries claims against our Group, to which legal proceedings had been commenced. Our Directors confirmed the respective insurers have taken over conduct of all 6 of the legal proceedings initiated against our Group as at the Latest Practicable Date. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Besides the civil litigations above, all injured individuals may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under the common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. As these potential claims have not yet filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. These cases were caused during casual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licences or permits for our operation.

During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK\$200 million per accident. Therefore, all such employees' compensation claims and personal injury claims are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors. For details, please refer to the paragraph headed "Insurance" in this section.

Our Directors further confirm that they were not personally involved, whether collectively or individually, in any of the above claims and litigations.

BUSINESS

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), any tax penalty, additional tax or compound in connection with any tax non-compliance occurred, claims of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus.

LEGAL AND REGULATORY COMPLIANCE

Our Directors confirm that save as disclosed below, there was no non-compliance incident which constituted material non-compliance or systemic non-compliance and our Group has obtained all the approvals, permits, consents, licenses and registrations required for our business operations in Hong Kong and all of them are in force.

Non-compliance with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong (the “IRO”))

Set out below are non-compliances of our Group with the IRO:

Particulars of the non-compliance	Richwell CE and Time Concept had failed to notify the Inland Revenue Department (the “ IRD ”) of their respective profits tax chargeability status for the 2013/14 to 2016/17 years of assessment for Richwell CE and the 2016/17 year of assessment for Time Concept within the prescribed time limit under section 51(2) of the IRO.
Reasons for the non-compliance	After the submission of the profits tax return for the 2012/13 year of assessment in January 2014, Richwell CE did not receive the profits tax assessment for the 2012/13 year of assessment or any profits tax returns for the 2013/14, 2014/15, 2015/16 and 2016/17 years of assessment, until around late 2017 when Richwell Engineering was required to file its profits tax returns for the 2016/17 year of assessment, our Directors discussed the tax filing requirement of Richwell CE and Time Concept with the tax representative of Richwell Engineering, our Directors discovered the tax non-compliance of Richwell CE and Time Concept. Richwell CE appointed the tax representative of Richwell Engineering as its tax representative. The newly appointed tax representative, China H.K. Taxation Limited, notified the IRD of Richwell CE’s tax chargeability and requested for the profits tax returns for filing in November 2017. The profits tax returns for the 2013/14 to 2016/17 years of assessment were issued to Richwell CE in April 2018 and Richwell CE filed the profits tax returns for the 2013/14 to 2016/17 years of assessment in May 2018. Before that, Richwell CE did not receive any letters from the IRD requesting the filing of the said profits tax returns, any estimated assessments for the 2013/14, 2014/15 or 2015/16 years of assessment, or any penalty proceedings. Richwell CE only received the profits tax assessment for the 2012/13 year of assessment in May 2018 demanding a final tax 2012/13 of approximately HK\$3,000. Our Group was not given any reason from the IRD as to why Richwell CE did not receive the profits tax returns for 2013/14 to 2016/17 years of assessment or the profits tax assessment for 2012/13 earlier.

BUSINESS

Time Concept was loss-making from its incorporation in October 2014 until the year ended 31 March 2016. It made a profit for the year ended 31 March 2017. Time Concept appointed the tax representative of Richwell Engineering as its tax representative and notified the IRD through such tax representative its tax chargeability in November 2017. Time Concept received the profits tax return in December 2017 and submitted the completed tax return for 2016/17 year of assessment in January 2018, which however failed to notify the IRD of its chargeable status not later than 4 months after the financial year end. Our Directors confirmed that the external accounting services firm mistreated Time Concept with other private companies having received the profits tax return for 2016/17 year of assessment that it had received the profits tax return and could file the same in November 2017, and thus failed to notify the IRD tax chargeability of Time Concept on time.

As confirmed by our Directors, both Richwell CE and Time Concept had been relying on our then external tax representative, Sheen Rise Secretarial Limited trading as Sheen Rise Accounting Services Co., arranged by the external accounting services firm, an Independent Third Party, for the preparation of their profits tax returns at that time, who had failed to notify the IRD of our chargeability to tax for the captioned year(s) of assessment within the prescribed time limit due to inadvertent oversight. Our Directors confirmed that the external accounting services firm acknowledged they had incorrectly advised our Directors there was no need to arrange with the tax representative for notifying the tax chargeability when there were no tax returns issued by the IRD. Our Directors further confirm that the external accounting services firm had been engaged by Richwell Engineering in the early years after its incorporation to handle matters including company secretarial services, book keeping and arranging a tax representative for tax filings. Such external accounting services firm was also engaged by Richwell CE and Time Concept to provide similar services after their respective incorporation.

Richwell Engineering, on the other hand, did not encounter any exceptions in submitting profits tax returns or receiving tax returns and tax assessments during the relevant years. The new tax representative of Richwell CE and Time Concept is the tax representative that had been engaged by Richwell Engineering since the early years after its incorporation.

As confirmed by our Directors, the external accounting services firm had nearly 20 years of experience of providing similar services to various private companies in Hong Kong by the time Richwell CE and Time Concept were required to notify their respective chargeability status to the IRD. All along, the external accounting services firm had performed to the satisfaction of our Directors before the tax incidents. Our Directors considered that it was common practice and reasonable for private companies to dedicate the tax filings to external specialists who would be capable of better handling.

Our Directors confirmed that, to be prudent, when submitting the profits tax returns for Richwell Engineering for the concerned year(s) of assessment, our Directors had enquired whether necessary tax filings were required for Richwell CE and Time Concept, but the external accounting services firm informed our Directors that they would be advised when the tax filings were needed.

Our Directors confirm that they were not aware of the tax non-compliance of Richwell CE and Time Concept which stemmed mainly from their inadvertent oversight of the relevant requirements of the IRO. Our Directors placed reliance on the external accounting services firm and the then tax representative but mistakenly believed that a company should file completed profits tax return only when it receives the return and profits tax assessment for previous year should be processed by the IRD before subsequent tax returns are to be issued. Prior to the requests made by our Group for the issuance of profits tax returns, our Group did not receive any notice or demand from the IRD in relation to the profits tax returns or assessment for the 2013/14 to 2016/17 years of assessment for Richwell CE and Time Concept. As demonstrated by the compliance of filing profits tax returns and paying tax by Richwell Engineering, our Directors had no direct or willful involvement in the said tax non-compliances and they had had no intention to understate or evade tax.

Remedial actions

Each of Richwell CE and Time Concept has notified the IRD on its own initiative of its respective tax chargeability status for the captioned year(s) of assessment and the corresponding profits tax returns have been filed with the IRD.

In addition, we have implemented adequate internal control system that includes, among others, appointing our company secretary, Ms. Ng Hoi Ying (who has extensive experience in accounting and recognised accounting qualification in Hong Kong), who is responsible for ensuring tax returns of our Group be submitted in a timely manner and we have also engaged an independent tax representative to handle tax filings and communication with the IRD. Electronic diary has also been set up to send reminders to responsible personnel of our Group when the tax filing/reporting deadlines approach.

BUSINESS

Potential maximum fine/penalty

Section 51(2) of the IRO stipulates that every person chargeable to tax for any year of assessment shall inform the Commissioner of Inland Revenue in writing that he is so chargeable not later than 4 months after the end of the basis period for that year of assessment.

It was noted that Richwell CE and Time Concept had failed to notify the IRD of Richwell CE's chargeability to tax for the 2013/14 to 2016/17 years of assessment and Time Concept's chargeability to tax for the 2016/17 year of assessment by the deadline as stipulated in section 51(2) of the IRO (i.e. not later than 4 months after the corresponding financial year end date), if no reasonable excuse is given, each of Richwell CE and Time Concept may be subject to either a fine of HK\$10,000 and a maximum fine of treble the amount of tax undercharged under section 80(2) of the IRO or additional tax of an amount not exceeding treble the amount of tax undercharged for each of the captioned years of assessment under section 82A of the IRO. As confirmed by our Directors, it was the first time which Time Concept and Richwell CE had failed to notify the IRD of their tax chargeability status, and the IRD had never issued/taken any warning letter, compound, court action to/against them in this respect. As advised by our tax adviser, Asian Alliance (HK) CPA Limited, the maximum fine pursuant to section 82A of the IRO that Richwell CE and Time Concept are potentially subject to is treble the undercharged amount, which is summarised in the table below:

Company	Year of assessment	Tax payable (HK\$)	Maximum penalty under section 82A of the IRO (HK\$)
Richwell CE	2013/14	192,931	578,793
	2014/15	373,480	1,120,440
	2015/16	1,951,337	5,854,011
	2016/17	4,119,391	12,358,173
Time Concept	2016/17	1,419,253	4,257,759

BUSINESS

We are advised by our tax adviser that it is not likely that the IRD would institute prosecution, based on its knowledge on the IRD's general practice and research on the Inland Revenue Board of Review Decisions, actions and impose penalty under section 80(2) for failure to comply with section 51(2) of the IRO, but to, if so happen, issue notice of intention to assess additional tax if no acceptable reasonable excuse is given under section 82A of the IRO. Regarding the non-compliance incidents of Richwell CE and Time Concept, we are further advised by our tax adviser that having taken into account the IRD's published penalty policy, being the first offence of failure to inform chargeability within 5 years, the co-operation of the directors of Time Concept and Richwell CE, the profits tax returns of Time Concept and Richwell CE having been filed before issuance of any estimated assessments and the improvement in our Group's internal controls to avoid re-occurrence of such offence in the future, the IRD may likely charge an additional tax amount of 10% of the tax undercharged.

For the years ended 31 March 2016 and 2017, our Group had made a provision of approximately HK\$334,000 and HK\$469,000 for the additional tax amount of 10% of the tax undercharged, respectively. In July 2018, Richwell CE received the profits tax assessment for the 2013/14 year of assessment, which demanded a final tax of approximately HK\$10,000 and was revised by the IRD in August 2018 to be approximately HK\$193,000 as a result of our objection of the original tax assessment, which significantly understated Richwell CE's tax payable. In November 2018, Richwell CE received the profits tax assessment for the 2014/15, 2015/16 and 2016/17 years of assessment and the final tax for the corresponding years of assessment were approximately HK\$373,000, HK\$1,951,000 and HK\$4,119,000, respectively; and Time Concept received the profits tax assessment for the 2016/17 year of assessment which demanded a final tax of approximately HK\$1,419,000. All the respective taxes demanded were paid by Richwell CE and Time Concept before the due dates. As at the Latest Practicable Date, each of Richwell CE and Time Concept did not receive any indication of tax penalty, additional tax or notice of prosecution from the IRD in relation to the above tax non-compliance. The above-mentioned provision for the years ended 31 March 2016 and 2017 exceeded 10% of the tax undercharged for Richwell CE and Time Concept for 2015/16 and 2016/17 years of assessment and was considered sufficient.

BUSINESS

Since October 2018, we have appointed our company secretary, Ms. Ng Hoi Ying (being a certified public accountant in Hong Kong), who would be responsible for handling our Group's tax filing and correspondences with the IRD with the assistance of an independent tax representative. Moreover, we have adopted certain internal control measures to prevent recurrence of late notification of our Group's tax chargeability to the IRD. Such internal control measures include (i) maintaining a register to record different natures of tax return to be filed, tax filing deadlines, necessary documents and status; (ii) establishing an electronic to-do list informing responsible personnel in our finance department about tax filing tasks; and (iii) setting the electronic to-do list system to send a reminder to responsible personnel in our finance department. Our Directors believe that the implementation of the aforesaid internal measures under the supervision of our company secretary will be able to prevent recurrence of late tax filing in the future. In addition, our Directors will devote all their attention to the affairs of our Group so as to ensure our Group comply with the relevant regulatory requirements.

Going forward, our Audit Committee, which comprises our three independent non-executive Directors, will be responsible for reviewing the financial statements and advising on financial reporting and overseeing the internal control procedures of our Group. This can further enhance our Group's compliance with the relevant regulatory requirements.

Our Directors confirmed that the incidents of Richwell CE and Time Concept were the result of inadvertent oversight and misconception only. Our independent internal control adviser, Sam K. M. Ng CPA Limited, has also reviewed our internal control procedures and made recommendations, and our Group has satisfactorily implemented all the recommended measures. As it was not the result of commission of any fraud on the part of Mr. KK Tsui, Mr. Ian Tsui or Ms. Janis Tsui, or any schemes designed to evade taxes, and our Group has taken steps to strengthen our internal controls and notified the IRD of the chargeability status, our Directors are of the view, and the Sponsor concurs, that the late notification of tax chargeability by Richwell CE and Time Concept did not attribute any question on the character or integrity of Mr. KK Tsui, Mr. Ian Tsui or Ms. Janis Tsui, as our Directors and would not affect the competence of Mr. KK Tsui, Mr. Ian Tsui or Ms. Janis Tsui, as our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to our Group's non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of late notification of tax chargeability by Richwell CE and Time Concept would be immaterial to our Group's operation and financial positions. Having considered that (i) the tax non-compliances occurred prior to the implementation of our Group's enhanced internal control system and after the tax non-compliances, our Group engaged internal control expert to enhance its internal control measure on tax compliance; (ii) our Directors took their own initiatives of notifying the tax chargeability; (iii) it was not uncommon for private companies to rely on external service providers specialising in book keeping and tax filings matters and our Directors had reasonably expected that the tax chargeability status should have been notified to the IRD based on the advice given by the external accounting services firm engaged by Richwell CE and Time Concept; (iv) the unusual circumstances that Richwell CE did not receive the profits tax returns for the concerned years of assessment after having submitted profits tax return for the 2012/13 year of assessment that showed assessable profits and the profits tax assessment for 2012/13 year of assessment was not issued to Richwell CE until May 2018; (v) no similar non-compliance was found in Richwell Engineering for the same period which Mr. KK Tsui was a director; (vi) the due implementation of our Group's enhanced internal control measures; (vii) the indemnity undertaking given by the Controlling shareholders in favour of our Company; and (viii) the results of the review by the independent internal control adviser and its opinion as mentioned above, our Directors and the Sponsor are of the view that (i) we have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules, and the tax non-compliances should not pose any integrity or competence issue on our Directors in our corporate governance or financial matters; (ii) the tax non-compliances will not affect our Group's future ability to conduct business in a law-abiding manner; and (iii) the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules and the suitability for the listing of our Company under Rule 8.04 of the Listing Rules should not be affected.

BUSINESS

Save for the incidents disclosed herein, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitute material impact non-compliance or systemic non-compliance and our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors consider that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) credit risks; and (iii) market risks relating to the changes in macroeconomic environment.

The following set out the key risks for our business and how our Group intends to mitigate them:

Operational risks

For our business operations, we are primarily exposed to labour shortage risk, project delay risk and health and safety risk.

Labour shortage risk

The labour shortage and ageing problem have taken root in the construction industry for a number of years and our Group has leveraged on the good relationship with our labour and subcontractors to mitigate this risk. We maintain an internal list of approved subcontractors which we review and update on a continuing basis and the subcontractors we worked with had been able to call for adequate labour for their works. Our project team may follow up with our subcontractors from time to time to inquire about the deployment of labour, including the timing and number of workers required.

Project delay risk

Any delay in project (which may or may not be caused by us) would affect the timing of our Group's cash inflows and outflows. Our Group from time to time communicates with our customers, their consultants, and our subcontractors, and are kept up-to-date regarding each site's work progress. We plan the deployment of labour and other resources accordingly. Our administrative and finance department also forecasts the works to be done in the forthcoming months to plan our liquidity and working capital use and report to our executive Directors to consider whether contingency plans are required.

Health and safety risk

We have adopted a safety and health policy for our staff and, when required, workers of our Group, together with those of our subcontractors, attend safety training courses organised by our safety officer qualified under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Cap. 59Z of the Laws of Hong Kong). Our safety officer, having obtained recognised certificate or equivalent qualification, also liaises with project consultant to organise safety walk or conduct inspections on our operations and equipment to ensure all the workers work in a safe environment. Our safety supervisors assist our safety officer in implementing the site policy on occupational safety and health on site.

Credit risks

We are exposed to risk of increase in bad debts if the credit granted is not timely collected by us. To minimise credit risks, we adopted the following internal control measures:

- before acceptance of a construction project, we conduct internal assessment on the customer's payment history and its reputation in the industry to form a view on its credibility and negotiate the credit terms;

BUSINESS

- our administrative and finance department continuously monitors all overdue payments of each project and takes necessary follow-up actions to remind customers for the timely settlement of our payments; and
- our administrative and finance department prepares receivables ageing analysis for the presentation to our senior management and our management will review the recoverable amount and assess whether it is necessary to make any specific provisions.

Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to political filibustering for approving new funding and objections or legal actions by the affected members of the public, may affect our project portfolio and original plans of purchase of construction materials or deployment of labour. Our Directors closely monitor works forecast by the Government and the number of new projects approved by the Development Bureau so as to adjust our business strategies and assess our participation in the public or private sectors. It is our Directors' responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

Our internal control system

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in June 2018, we engaged Sam K. M. Ng CPA Limited (the "IC Consultant"), an independent internal control adviser, to perform evaluation under the Committee of Sponsoring Organizations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system, covering areas including entity level controls, sales, accounts receivable and collection, inventory management, human resources, fixed assets, cash and treasury management, financial reporting, taxes and information technology. The IC Consultant performed an internal control review in June 2018. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures. The major findings together with the internal control recommended measures as suggested by the IC Consultant are set out in the table below:

Internal control review findings	Remedial actions taken
1. Our Group failed to notify the IRD of the chargeability to profits tax	Our Group has appointed Ms. Ng Hoi Ying, our company secretary who is a member of the Hong Kong Institute of Certified Public Accountants, as the designated personnel to handle our Group's tax filings and correspondences with the IRD, and to communicate with tax representative to ensure tax return is submitted in accordance with the requirements under the Inland Revenue Ordinance. Besides, we have set up electronic diary which will send reminders to responsible personnel when the tax filing/reporting deadlines approach.

BUSINESS

- | | |
|---|--|
| 2. Our Group did not establish notifiable and connected transactions reporting mechanism | Our Group has established a notifiable and connected transaction reporting policy and procedures. Our company secretary, Ms. Ng Hoi Ying has been appointed as the designated management to handle reporting issues. |
| 3. Our Group did not establish accounts receivables monitoring and follow-up procedures | Our Group has drafted sales, accounts receivables and collection policy and procedures to standardise debt chasing and recovery procedures. |
| 4. Our Group did not develop overall corporate strategies or financial targets | Our Group has established a corporate strategy, budgeting and planning based on our competitive strengths and planned to conduct regular meeting to evaluate performance and discuss follow up actions. |
| 5. Our Group did not establish licensing register over companies' licenses and employees' | Our Group has established license registration list to monitor the expiry date and the renewal need. |

We have fully implemented all the recommended measures suggested by the IC Consultant on the major findings and the IC Consultant has also performed a follow-up review in November 2018 to understand the status of our implementation of the recommended measures. The IC Consultant has formed its view that we have satisfactorily implemented all the recommended measures for the major findings based on its follow-up review.

Our Directors are of the view, and the Sponsor concurs, that our Group has adequate and effective internal control measures for our operations, compliance and corporate governance.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), New Brilliance will own 75% of our Company's issued share capital. New Brilliance is wholly-owned by Mr. KK Tsui. For the purpose of the Listing Rules, Mr. KK Tsui and New Brilliance (an investment holding company wholly-owned by Mr. KK Tsui) are the Controlling Shareholders.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 March 2020, the net amount due to a director is approximately HK\$2,198,000 and the sum will be settled before the Listing. In addition, all of the personal guarantees executed by Mr. KK Tsui in favour of our Group will be released and replaced by corporate guarantee executed by our Company before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

(ii) Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. KK Tsui, Mr. Ian Tsui and Ms. Janis Tsui are our executive Directors. Mr. KK Tsui, who is the sole director of New Brilliance, is the overlapping director between our Group and the Controlling Shareholder. None of the other Directors nor members of senior management hold any directorship or position in the Controlling Shareholder.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

Save as otherwise disclosed, our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, Mr. KK Tsui and New Brilliance (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with our Company (for itself and on behalf of its subsidiaries) on 21 September 2020. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with their terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a business day, the immediate preceding business day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) 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 associates), the interested Directors shall abstain from voting at our relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or his/her associates has/have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors;
- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Staff – Independent non-executive Directors” in this prospectus; and
- (vi) we have appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

The following transactions have been carried out by our Group and connected person of our Company during the Track Record Period and are expected to continue following the Listing and will constitute fully exempted continuing connected transactions for our Company under the Listing Rules.

CONNECTED PERSON

Fame Most Limited (“**Fame Most**”) is a limited liability company indirectly wholly-owned by Mr. KK Tsui, who is our Controlling Shareholder and executive Director, therefore Fame Most is a connected person of our Company under Chapter 14A of the Listing Rules. The principal business activity of Fame Most is property investment.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreements

On 30 June 2019 and 1 June 2020, Richwell Engineering entered into two written tenancy agreements (the “**Tenancy Agreements**”) with Fame Most, pursuant to which Richwell Engineering agreed to rent the premises located at Rooms 1901, 1902, 1902 Storeroom, 1903 and 1905, 19/F, One Midtown, 11 Hoi Shing Road, Tsuen Wan, New Territories (the “**Properties**”) from Fame Most, the registered owner. The Tenancy Agreements are for a term of one year commencing on 1 July 2019 and 1 July 2020 at a monthly rent of HK\$111,650 and HK\$111,650, respectively.

Reasons for and benefits of the transactions

Throughout the Track Record Period, our Group has been leasing the abovementioned Properties for workshop use. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the aggregate amount of the rents paid by our Group to Fame Most in relation to the Properties amounted to approximately HK\$780,000, HK\$801,000, HK\$802,000, HK\$588,000 and HK\$1,152,000, respectively. The maximum total annual amount of rental fee payable to Fame Most by our Group in relation to the Properties for the year ending 31 March 2021 is HK\$1,339,000.

Pricing policy

The rental fee under the Tenancy Agreements was determined to the applicable market rental rates of similar properties in the vicinity. In order to ensure that the rental fee is fair and reasonable and in line with prevailing market rate, we have also obtained quotations from Independent Third Parties for similar properties in the vicinity. An independent property valuer has reviewed the rental payable under the Tenancy Agreements and has issued a rental appraisal report. The independent property valuer considers that the rental of the Tenancy Agreements are fair and reasonable and reflects the prevailing market rates.

As such, our Directors (including our independent non-executive Directors) are of the view, and the Sponsor concurs, that the Tenancy Agreements had been entered into in the ordinary and normal course of business and on normal commercial terms that are fair, reasonable and in the best interest of our Company and the Shareholders as a whole.

Listing Rules implications

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the rental fee paid by our Group to Fame Most under the Tenancy Agreement will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Tenancy Agreement, and is on normal commercial terms, the transaction contemplated under the Tenancy Agreement will be fully exempted from shareholders’ approval, annual review and all disclosure requirements by virtue of Rule 14A.76(1)(c) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Tsui Kai Kwong (徐繼光)	60	Chairman and Executive Director	14 July 1993	31 July 2018	Overall strategic management and development of our Group's business operations	Father of Mr. Ian Tsui and Ms. Janis Tsui and the uncle of Mr. Tsui Ying Yin
Mr. Tsui Tsz Yeung Ian (徐子揚)	37	Chief Executive Officer and Executive Director	8 October 2007	31 July 2018	Overseeing our Group's operation, business development, human resources, finance and administration	Son of Mr. KK Tsui, brother of Ms. Janis Tsui and cousin of Mr. Tsui Ying Yin
Ms. Tsui Wai Yeung Janis (徐慧揚)	40	Executive Director	2 May 2013	31 July 2018	Overseeing our Group's operation, business development, human resources, finance and administration	Daughter of Mr. KK Tsui, sister of Mr. Ian Tsui and cousin of Mr. Tsui Ying Yin
Independent Non-executive Directors						
Mr. Lee Yan Kit (李殷傑)	49	Independent non-executive Director	21 September 2020	21 September 2020	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Lee Kin Kee (李建基)	57	Independent non-executive Director	21 September 2020	21 September 2020	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Kwong Ping Man (鄺炳文)	55	Independent non-executive Director	21 September 2020	21 September 2020	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Tsui Kai Kwong (徐繼光) (“**Mr. KK Tsui**”), aged 60, is our Chairman and executive Director. Mr. KK Tsui is responsible for the overall strategic management and development of our Group’s business operations. Mr. KK Tsui was appointed as our Director on 31 July 2018 and re-designated as our Chairman and executive Director on 26 October 2018. He is also a member of the Nomination Committee and the Remuneration Committee. Mr. KK Tsui is a director of all subsidiaries of our Company.

Mr. KK Tsui has over 39 years of experience in the construction industry. He began his career as an assistant surveyor at a civil engineering construction contractor from October 1979 to October 1982 where he gained exposure to project execution of civil engineering construction. From October 1982 to October 1991, Mr. KK Tsui worked as a surveyor in Leader Civil Engineering Corporation Limited (currently known as Build King Civil Engineering Limited) with his last position held as a chief surveyor. He then founded Time Maker Trading & Construction Limited with Independent Third Parties, where he acted as a director. In addition to his management duties, he also worked as a chief surveyor from October 1991 to May 1993. In July 1993, Mr. KK Tsui founded our Group by establishing Richwell Engineering and expanded our Group by establishing Richwell CE and Time Concept over the years in order to capture the growing business opportunities for construction engineering works in Hong Kong.

Mr. KK Tsui obtained a Higher Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987.

Mr. KK Tsui was a director of the following company incorporated in Hong Kong which was dissolved (but not due to member’s voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Time Maker Trading & Construction Limited (適時測量工程有限公司) (<i>Note</i>)	Ceased business	27 September 2002

Note: Time Maker Trading & Construction Limited (適時測量工程有限公司) was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Mr. KK Tsui confirmed that (i) the above company was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above company.

Mr. KK Tsui is the father of Mr. Ian Tsui and Ms. Janis Tsui, each our executive Director, and the uncle of Mr. Tsui Ying Yin, our audit controller.

Mr. Tsui Tsz Yeung Ian (徐子揚) (“**Mr. Ian Tsui**”), aged 37, is our Chief Executive Officer and executive Director. Mr. Ian Tsui is responsible for overseeing our Group’s operation, business development, human resources, finance and administration. Mr. Ian Tsui first joined our Group as the site engineer in October 2007 and was promoted to sub agent in January 2010. He was further promoted to the site agent in January 2012 and director in January 2017. He was appointed as our Director on 31 July 2018 and re-designated as our Chief Executive Officer and executive Director on 26 October 2018. Mr. Ian Tsui is a director of Richwell CE.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Ian Tsui studied up to the penultimate year of a Master of Science Degree in Civil Engineering at Imperial College London from October 2002 to May 2006.

Mr. Ian Tsui is the son of Mr. KK Tsui, the brother of Ms. Janis Tsui and the cousin of Mr. Tsui Ying Yin.

Ms. Tsui Wai Yeung Janis (徐慧揚) (“Ms. Janis Tsui”), aged 40, is our executive Director. Ms. Janis Tsui is responsible for overseeing our Group’s operation, business development, human resources, finance and administration. Ms. Janis Tsui first joined our Group as the administration officer in May 2013 and was promoted to a financial controller in January 2018. She was appointed as our Director on 31 July 2018 and re-designated as our executive Director on 26 October 2018. Ms. Janis Tsui is a director of Time Concept.

Before joining our Group, Ms. Janis Tsui worked as a studio coordinator at J Studio Pte Ltd in Singapore from May 2007 to October 2007. She was employed by Ocean Faith International Trading Limited from August 2010 to February 2011 with her last position held as retail supervisor. Ms. Janis Tsui was an assistant sales operations officer in Sa Sa Cosmetic Company Limited from September 2011 to April 2013.

Ms. Janis Tsui obtained a Bachelor of Arts Degree in Accounting & Finance and Economics and a Postgraduate Diploma in Management Science from University of Kent at Canterbury (currently known as University of Kent) in July 2002 and November 2004, respectively.

Ms. Janis Tsui is the daughter of Mr. KK Tsui, the sister of Mr. Ian Tsui and the cousin of Mr. Tsui Ying Yin.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Yan Kit (李殷傑) (“Mr. Lee”), aged 49, was appointed as our independent non-executive Director of our Company on 21 September 2020. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Lee is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

Mr. Lee worked in Sin Hua Bank Limited (currently known as Bank of China (Hong Kong) Limited) from March 1996 to April 2000 with his last position held as an officer. He then worked as an assistant manager in Wing Hang Bank, Limited (currently known as OCBC Wing Hang Bank Limited) from April 2000 to January 2001. Mr. Lee also worked in DBS Bank (Hong Kong) Limited from January 2001 to June 2004 with his last position held as vice president. He also acted as the senior business financial manager and team manager of Standard Chartered Bank (HK) Limited from June 2004 to September 2006. From September 2006 to July 2016, he held various positions at Dah Sing Bank Limited including team head, regional head, general manager and project manager. Mr. Lee was appointed as the president of SBG Holdings Limited and the chief marketing officer of HKST Group Holdings Limited from September 2016 to September 2017 and September 2016 to May 2018, respectively. Mr. Lee has been a director of Hoyan Group International Limited since September 2016. He has been the chief executive officer and the director of National Arts Travel Limited, a subsidiary of National Arts Entertainment and Culture Group Limited (the “**National Arts Group**”), a company listed on GEM of the Stock Exchange (Stock Code: 8228), since June 2018 and February 2019, respectively. Mr. Lee has been the vice chairman of the board of directors of Sowers Action since October 2018. Mr. Lee has been the chief executive officer of National Arts Production & Promotions Limited, the director of artiste management of National Arts Entertainment Limited, both are subsidiaries of the National Arts Group, and the director of investor relationship and marketing of the National Arts Group since February 2020. He is one of the founding directors of Hong Kong Young Chief Officers’ Association and is currently the president of external affairs committee of Hong Kong Young Chief Officers’ Association. Mr. Lee has been the independent non-executive Director of C-Link Squared Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1463), since March 2020. He has been the chief operating officer of the National Arts Group since May 2020. Mr. Lee was elected as the 5th Global Outstanding Chinese Youth organised by the Outstanding Chinese Culture Association. He has been awarded by Hong Kong Shue Yan University as the industrial advisor to the Bachelor of Business Administration (Honours) in Digital Marketing Programme of the Department of Business Administration since 1 July 2020.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lee obtained a Bachelor of Arts degree from The University of Manitoba, Canada in May 1993. He also obtained a certificate of Business Management from Ryerson Polytechnic University, Canada in June 1996. He further obtained a Master of Science degree in Financial Management from the University of London through distance learning in December 2000.

Mr. Lee Kin Kee (李建基) (“**Mr. Kevin Lee**”), aged 57, was appointed as our independent non-executive Director on 21 September 2020. He is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Kevin Lee is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

Mr. Kevin Lee has 31 years of experience in the finance profession. Before joining our Group, Mr. Kevin Lee served as an audit assistant at Price Waterhouse Company (currently known as Price Waterhouse Company Limited) in August 1987, and was promoted to senior accountant II in July 1990 before he left his position in October 1990. From October 1990 to January 1994, he served at Elec & Eltek Group, and held the positions of senior officer with the department of audit & system review, and, in the department of group finance & treasury, the positions of senior accountant, manager (management accounting) and manager (corporate accounting & credit control). From January 1994 to July 1994, he served at Technic Holdings Corporation as a finance manager. From August 1995 to March 1997, he served with Asia Commercial Holdings Limited as a PRC financial controller. From July 1998 to July 2001, he served with SEI Interconnect Products (Hong Kong) Limited, initially as an assistant manager of the accounting department, and, from January 1999 onward, as a manager of accounting department. From July 2001 to November 2004, he served with Wah Shing Toys Company Limited, initially as a financial controller in the finance department, and, from February 2004 onwards, as a director in the production & material control department. From December 2004 to July 2007, he served with Musical Industries Limited as a general manager. From August 2007 to December 2008, he served with United Luminous International (Holdings) Limited as a financial controller. From January 2009 to March 2010, he served with Traxon Technologies Limited as its finance & accounting director. From March 2010 onwards, he serves with Optiled Lighting International Limited as a financial controller. From December 2015 to August 2016 and August 2016 to April 2018, he served as a non-executive director and was re-designated as an executive director of Super Strong Holdings Limited (Stock Code: 8262), respectively. Since March 2010, he serves as a director of LED Lighting Expert Limited. Mr. Kevin Lee has been the non-executive director of Alpha Era International Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8406) since March 2016.

Mr. Kevin Lee obtained a Diploma in Accounting from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1987. He further obtained a Master of Business Administration from University of Canberra in Australia in May 2001. He was admitted as a member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in February 1992, and became a fellow thereof in October 2000. Mr. Kevin Lee was also admitted as an associate member and a fellow member of the Chartered Association of Certified Accountants in November 1990 and November 1995 respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kevin Lee was a director of the following companies incorporated in Hong Kong which were dissolved with details as follow:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Eco-Green Hong Kong Limited (盈高實業(香港)有限公司)(Note 1)	Ceased business	27 January 2012
Ecolighting Limited (Note 1)	Ceased business	24 October 2014
Glory Talent Limited (耀能有限公司)(Note 2)	Ceased business	15 March 2002
Light Concept International Limited (銳光國際有限公司)(Note 3)	Ceased business	18 December 2015
Light Concept Logistics Limited (銳光物流有限公司)(Note 3)	Ceased business	18 December 2015
Max Lite Holding Limited (曦裕控股有限公司)(Note 3)	Ceased business	24 March 2016
Rich Reward Limited (勤澤有限公司)(Note 3)	Ceased business	1 September 2017

Notes:

1. Eco-Green Hong Kong Limited (盈高實業(香港)有限公司) and Ecolighting Limited were deregistered by way of application under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
2. Glory Talent Limited (耀能有限公司) was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.
3. Light Concept International Limited (銳光國際有限公司), Light Concept Logistics Limited (銳光物流有限公司), Max Lite Holding Limited (曦裕控股有限公司) and Rich Reward Limited (勤澤有限公司) were deregistered under section 751 of the Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) each company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Kevin Lee confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of the above companies.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kwong Ping Man (鄺炳文) (“**Mr. Kwong**”), aged 55, was appointed as our independent non-executive Director on 21 September 2020. He is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kwong is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

Mr. Kwong possesses over 24 years of experience in accounting and administration. He is currently the managing director of O’Park Corporate Services Limited, a company primarily engaged in corporate advisory and company secretarial services.

Mr. Kwong’s primary working experience also includes:

Name of organisation	Principal business activity for the relevant period	Last position	Period of service
China Agroforestry Low-Carbon Holdings Limited (formerly known as “Jiangchen International Holdings Limited”) (a company listed on the Main Board (Stock Code: 1069))	Manufacture and wholesale of original equipment manufacture of branded products and operations and management of forestry	Company secretary	September 2009 – June 2013
Karce International Holdings Company Limited (currently known as “Starlight Culture Entertainment Group Limited”) (a company listed on the Main Board (Stock Code: 1159))	Conductive silicon rubber keypads, electronic products and printed circuit boards	Financial controller and company secretary	June 2008 – January 2009
Polyard Petroleum International Group (formerly known as “Kanstar Environmental Paper Products Holdings Limited”) (a company listed on GEM (Stock Code: 8011))	Development, manufacture and sale of pulp and paper products	Financial controller and company secretary	March 2006 – July 2007
Sinobest Technology Holdings Limited	Provision of computer and network system integration services, and application software development	Chief financial officer	September 2000 – April 2003
The World Enterprises Holdings Limited	Manufacture and sale of jewellery, optical and fashion products	Accountant	February 1997 – November 1998
Utilux (Asia) Limited (currently known as GPC Electronics (Asia) Limited)	Manufacture of and trade in electronic connector	Accountant	October 1992 – November 1994

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kwong obtained a Bachelor of Commerce Degree in Accounting from Curtin University of Technology (currently known as Curtin University) in Australia in August 1996. He further obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from The Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He was admitted as a certified practising accountant of Australian Society of Certified Practising Accountants in August 1999, a fellow member of the Hong Kong Institute of Certified Public Accountants in July 2012, and an associate member of each of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in November 1999.

In the three years preceding the date of this prospectus, Mr. Kwong has held directorships in the following listed companies:

Name of company	Principal business activity for the relevant period	Position	Period of service
Dragon King Group Holdings Limited (<i>a company listed on GEM (Stock Code:8493)</i>)	A Cantonese full-service restaurant group operating Cantonese cuisine restaurants	Independent non-executive director	December 2017 – present
Royal Deluxe Holdings Limited (<i>a company listed on the Main Board (Stock Code: 3789)</i>)	Formwork erection as well as related ancillary services	Independent non-executive director	January 2017 – present
Clear Lift Holdings Limited (currently known as “Hao Tian International Construction Investment Group Limited”) (<i>a company listed on the Main Board (Stock Code: 1341)</i>)	Rental of and trading in construction machinery and parts, and transportation services	Independent non-executive director	October 2015 – March 2017
Group Sense (International) Limited (currently known as “Rare Earth Magnesium Technology Group Holdings Limited”) (<i>a company listed on the Main Board (Stock Code: 601)</i>)	Design, manufacture and sale of original design manufacturing electronic dictionary products, personal communication products and other magnesium related products	Independent non-executive director	March 2015 – present
Tang Palace (China) Holdings Limited (<i>a company listed on the Main Board (Stock Code: 1181)</i>)	Restaurant operations and food production	Independent non-executive director	March 2011 – present
Century Sunshine Group Holdings Limited (<i>a company listed on the Main Board (Stock Code: 509)</i>)	Trading in fertiliser, Magnesium products and metallurgical flux	Independent non-executive director	September 2004 – June 2019
Elegance Optical International Holdings Limited (<i>a company listed on the Main Board (Stock Code: 907)</i>)	Manufacture of and trading in optical frames and sunglasses	Independent non-executive director	May 2014 – April 2017

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kwong was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Keenlex Holdings Limited (健歷控股有限公司)(Note 1)	Ceased business	2 December 2005
Fairy Farm (International) Holdings Limited (仙桃源(國際)控股有限公司)(Note 1)	Food & beverage operations	1 August 2008
Global Wheel International Limited (華輪國際有限公司)(Note 1)	Trading of oil meters	19 December 2008
Evertch International Creation Limited (恒達國際創建有限公司)(Note 1)	Trading of LED lights	11 April 2014
Guoye (HK) Construction & Decoration Limited (國業(香港)建築裝飾工程有限公司)(Note 1)	Ceased business	13 December 2013
Wai Yuan (Hong Kong) Limited (慧源(香港)有限公司)(Note 1)	Ceased business	25 November 2011
Dakini Marketing Limited (Note 2)	Trading of accessories	4 November 2016
Grand Trading Horizon Limited (Note 2)	Trading and consultancy	3 March 2017
O'Park Cyber Limited (Note 2)	Ceased business	3 March 2017
Grand Trading International Company Limited (天豐國際貿易有限公司)(Note 2)	Consultancy	4 August 2017
Sports-Led Limited (Note 2)	Ceased business	1 September 2017

Notes:

- Keenlex Holdings Limited (健歷控股有限公司), Fairy Farm (International) Holdings Limited (仙桃源(國際)控股有限公司), Global Wheel International Limited (華輪國際有限公司), Evertch International Creation Limited (恒達國際創建有限公司), Guoye (HK) Construction & Decoration Limited (國業(香港)建築裝飾工程有限公司) and Wai Yuan (Hong Kong) Limited (慧源(香港)有限公司) were deregistered by way of application under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
- Dakini Marketing Limited, Grand Trading Horizon Limited, O'Park Cyber Limited, Grand Trading International Company Limited (天豐國際貿易有限公司) and Sports-Led Limited were deregistered under section 751 of the Companies Ordinance. An application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kwong confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of the above companies.

Save as disclosed in the paragraph headed “C. Further information about substantial shareholders, directors and experts” in Appendix IV to this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, controlling shareholders (as defined under the Listing Rules), or senior management of our Company; and (iii) had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

Saved as disclosed in the paragraph headed “C. Further information about substantial shareholders, directors and experts – 2. Particulars of service agreements” in Appendix IV to this prospectus, each Director has no existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation).

Save as discussed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs 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 Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Law Kwong Shun (羅廣信)	55	Commercial Manager	1 June 2006	1 January 2010	Overall supervision of the commercial team and quantity surveying works, undertaking costs analysis and control the budget of the projects	None
Mr. Tsui Ying Yin (徐英賢)	35	Audit Controller	14 May 2008	1 July 2018	Overall control and identification of risks of our Group's operation	Nephew of Mr. KK Tsui and cousin of Mr. Ian Tsui and Ms. Janis Tsui
Mr. Wong Kin Bui (黃健標)	51	Operation Director	1 June 2006	1 January 2018	Overall supervision, management and control of our Group's operation	None

Mr. Law Kwong Shun (羅廣信) (“Mr. Law”), aged 55, is the commercial manager of our Group. Mr. Law first joined our Group as a quantity surveyor in June 2006 and was appointed as our commercial manager in January 2010. He is primarily responsible for the overall supervision of the commercial team and quantity surveying works, undertaking cost analysis and controlling the budgets of the projects.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Prior to joining our Group, Mr. Law worked as an assistant quantity surveyor in Construction Techniques Limited from 1989 to 1991. He then worked as a quantity surveyor in Beria Consultants Limited and Maeda-CSCEC Joint Venture from 1991 to 1994 and 1994 to 1997, respectively. He subsequently worked as a senior quantity surveyor in Zen Pacific Construction Limited from 1997 to 2000.

Mr. Law obtained a Bachelor of Science Degree in Construction Management in University of Wolverhampton in October 2006. He has been a member of The Chartered Institute of Building since August 2007.

Mr. Tsui Ying Yin (徐英賢) (“Mr. Tsui”), aged 35, is the audit controller of our Group. Mr. Tsui first joined our Group as an assistant quantity surveyor in May 2008 and was promoted to a quantity surveyor in July 2009. He was appointed as a project quantity surveyor in July 2011 and promoted to an assistant commercial manager in January 2013. Mr. Tsui has been the audit controller since July 2018. He is primarily responsible for overall control and identification of risks of our Group’s operation.

Mr. Tsui obtained a Bachelor of Arts Degree in Accounting and Finance from The University of Lancaster in July 2007. He then obtained a Bachelor of Science Degree in Surveying from The Hong Kong Polytechnic University in October 2014.

Mr. Tsui is the nephew of Mr. KK Tsui and cousin of Mr. Ian Tsui and Ms. Janis Tsui.

Mr. Wong Kin Biu (黃健標) (“Mr. Wong”), aged 51, is the operation director of our Group. Mr. Wong first joined our Group as a general foreman in June 2006 and was appointed as a superintendent in January 2010. He was promoted to an operation manager in January 2013 and has been the operation director since January 2018. He is responsible for the overall supervision, management and control of our Group’s operation.

Prior to joining our Group, Mr. Wong worked as a junior foreman in China Harbour Engineering Company from September 1993 to July 1995. He worked as a foreman in Mew Engineering Limited from August 1995 to September 1996. Mr. Wong then worked as a foreman in Kumagai Gumi-Entrecanales-Cubiertas Joint Venture from October 1996 to July 1998. He also worked as a site foreman in Geoworks Equipment Company Limited and AJAX Pong Construction Limited from July 1998 to October 1998 and from October 1998 to February 2000, respectively.

COMPANY SECRETARY

Ms. Ng Hoi Ying (吳愷盈) (“Ms. Ng”), aged 33, was appointed as the company secretary of our Company on 26 October 2018. Ms. Ng obtained a Bachelor of Business Administration Degree in Accountancy from The Hong Kong Polytechnic University in October 2008 and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2012.

Ms. Ng has over 10 years of experience in auditing, accounting and financial reporting. Ms. Ng joined Deloitte Touch Tohmatsu from September 2008 to November 2011, with her last position held as a senior auditor. She then joined Asia Maritime Pacific (Hong Kong) Limited from November 2011 to October 2014 with her last position held as a senior accountant. Ms. Ng joined Ngai Shun Construction & Drilling Co. Ltd, a subsidiary of Boill Healthcare Holdings Limited (Stock Code: 1246), a company listed on the Main Board, as an assistant finance manager in October 2014. She was promoted to finance manager and worked until October 2018. Ms. Ng is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

Our Company has established the Audit Committee on 21 September 2020 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The Audit Committee comprises three members, namely Mr. Lee Kin Kee, Mr. Lee Yan Kit and Mr. Kwong Ping Man, of Mr. Lee Kin Kee is the chairman of the Audit Committee. The principal duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group, review of our Group's financial information, review of the relationship with the external auditor of our Company and performance of the corporate governance functions delegated by our Board.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 21 September 2020 with written terms of reference in compliance with paragraph B.1.2 of the Code. The Remuneration Committee comprises four members, namely Mr. Lee Yan Kit, Mr. Lee Kin Kee, Mr. Kwong Ping Man and Mr. KK Tsui. Mr. Lee Yan Kit is the chairman of the Remuneration Committee. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 21 September 2020 with written terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises four members, namely Mr. Lee Yan Kit, Mr. Lee Kin Kee, Mr. Kwong Ping Man and Mr. KK Tsui. Mr. Kwong Ping Man is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth to support the execution of our business strategy. In determining our Board's composition, the board diversity policy is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. We will also take into account factors relating to our own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to our Board.

Our Board comprises six members, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including business development, operation management, strategic development and finance experiences. Our Board members received tertiary education in different majors such as civil engineering and accounting and finance. Furthermore, our Directors have age ranges from 37 years old to 60 years old, and there are both male and female members in our Board.

Our Nomination Committee will review the board diversity policy from time to time and monitor its implementation to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated Listing Rules. In order to comply with the requirements under the Listing Rules, in particular, the code provisions contained in the Corporate Governance Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit Committee, Remuneration Committee and Nomination Committee on 21 September 2020 with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code. Further information is set out in the paragraphs headed “Audit Committee”, “Remuneration Committee” and “Nomination Committee” in this section;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provision of the Corporate Governance Code;
- (iii) we will arrange appropriate insurance cover on our Directors’ liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of the Board and at least one of them has accounting expertise;
- (v) the Chairman of our Board is Mr. KK Tsui whereas the Chief Executive Officer of our Company is Mr. Ian Tsui. The roles of the chairman and the chief executive will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be vaunted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Corporate Governance Code;
- (ix) our Company will retain a Hong Kong legal adviser to advise us on compliance matters applicable to Hong Kong laws and regulations;
- (x) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (xi) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.

Our Company is expected to comply with the Corporate Governance Code which sets out the principles of good corporate governance in relation to, among others, our Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company’s policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

We have appointed Frontpage Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. As our Company's compliance adviser, Frontpage Capital assumes the responsibility to advise us on ongoing compliance requirements and other issues under the Listing Rules. Pursuant to Rule 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was approximately HK\$2,877,000, HK\$2,795,000, HK\$3,117,000, HK\$3,867,000 and HK\$4,732,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was approximately HK\$3,128,000, HK\$3,057,000, HK\$3,252,000, HK\$3,823,000 and HK\$4,059,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was approximately HK\$54,000, HK\$54,000, HK\$54,000, HK\$54,000 and HK\$54,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial shareholders, Directors and experts – 3. Directors' Remuneration" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was approximately HK\$5,915,000, HK\$5,829,000, HK\$6,481,000, HK\$7,144,000 and HK\$8,521,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 in the Accountants' Report set out in Appendix I to this prospectus.

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our sole Shareholder passed on 21 September 2020. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

Authorised share capital:

	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

	<i>HK\$</i>
10,000 Shares in issue at the date of this prospectus	100
1,279,990,000 Shares to be issued pursuant to the Capitalisation Issue	12,799,900
<u>320,000,000</u> Shares to be issued pursuant to the Share Offer	<u>3,200,000</u>
<u>1,600,000,000</u> Total	<u>16,000,000</u>

RANKING

The Offer Shares will rank identical in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 21 September 2020, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 1,279,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 21 September 2020 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$12,799,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, 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 nominal value of our 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 our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 September 2020” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 September 2020” and “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our 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 or which would be 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 Shareholder	Capacity/Nature of interest	Number of fully paid shares held/ interested as at the date of the submission of application for Listing <i>(Note 4)</i>	Percentage of shareholding as at the date of the submission of application for Listing <i>(Note 4)</i>	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
New Brilliance	Beneficial owner	1	100%	1,200,000,000	75%
Mr. KK Tsui <i>(Note 2)</i>	Interest in a controlled corporation	1	100%	1,200,000,000	75%
Ms. Wong <i>(Note 3)</i>	Interest of spouse	1	100%	1,200,000,000	75%

Notes:

1. All interests stated are long positions.
2. New Brilliance is 100% owned by Mr. KK Tsui. Therefore, Mr. KK Tsui is deemed, or taken to be interested in all the Shares held by New Brilliance for the purpose of the SFO. Mr. KK Tsui is the sole director of New Brilliance.
3. Ms. Wong is the spouse of Mr. KK Tsui. Under the SFO, Ms. Wong is deemed to be interested in the same number of Shares in which Mr. KK Tsui is interested.
4. The date of filing of the application proof of this prospectus and prior to completion of the Reorganisation.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and General Information – A. Further information about our Company” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be 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 our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our combined financial information have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains 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 of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a contractor which has a long history of undertaking construction works in Hong Kong. We started our business in 1993 and have accumulated more than 26 years of solid track record in the construction industry in Hong Kong. We are able to undertake civil engineering works as either a main contractor or a subcontractor. During the Track Record Period, we focused on civil engineering projects, some of which are large scale. Our civil engineering projects can be broadly classified as roads and drainage works and site formation works. We also offer building works and we were the subcontractor of one structural works project in a university in Hong Kong. During the Track Record Period, we were awarded four building works projects. We are registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)), which enable us to directly tender for public works contracts in these works categories with various range of contract sums. Richwell Engineering, Richwell CE and Time Concept are also registered as registered subcontractors under the Subcontractors Registration Scheme of the Construction Industry Council. Our Directors believe that the Listing will facilitate our long term business growth including taking up more large scale civil engineering projects and our short term target is the promotion from Roads and Drainage (Group B (Probation)) to (Group B (Confirmed)) and from Roads and Drainage (Group C (Probation)) to (Group C (Confirmed)). The promotion will enable our Group to undertake a higher number of projects in that group as well as our Group to execute more large scale projects as the main contractor.

Most of our revenue was derived from civil engineering projects during the Track Record Period. As at the Latest Practicable Date, we have 24 projects on hand (including projects in progress and projects yet to commence) and based on the contracts on hand, total outstanding contract sum (i.e. the initial contract sum plus certified value of variation orders) amounted to approximately HK\$2,132,491,000, of which approximately HK\$453,280,000 is expected to be recognised for the year ending 31 March 2021 and the remaining is expected to be recognised after the year ending 31 March 2021.

We recognised revenue of approximately HK\$401,244,000, HK\$686,163,000, HK\$482,243,000, HK\$529,678,000 and HK\$609,195,000 and net profit of approximately HK\$12,799,000, HK\$23,402,000, HK\$31,057,000, HK\$23,527,000 and HK\$40,449,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with the HKFRSs. Throughout the Track Record Period, the entities which comprise our Group were under the control of Mr. KK Tsui. Pursuant to the Reorganisation, which is explained in details under the section headed “History, Development and Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period includes the results of operations and cash flows of the companies now comprising our Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2016, 2017, 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates, taking into account the respective dates of incorporation. Our financial statements are presented in Hong Kong dollars, which is our functional and presentation currency.

Further details on the basis of presentation are set out in Notes 1 and 2 to the Accountants’ Report set out in Appendix I to this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control. Our Directors have identified the risk factors that will affect our results of operations and financial conditions in the section headed “Risk Factors” in this prospectus as well as the following factors:

Hong Kong’s economic condition and demand for construction activities

We derive our revenue mainly from the provision of civil engineering works and building works for both public and private sectors, the demand of which relates to the number of infrastructure projects and the number of property development or building construction projects where we provide our services. Such demand may vary according to a combination of factors including Government spending, demand of housing and infrastructure which drives the planning for construction, the supply of land, and the general conditions as well as the prospect of the economy. The increase or decrease in the demand for construction activities would therefore affect the demand of our services and the competition environment where we operate. There is no assurance that the number of construction projects in Hong Kong would not decrease which may in turn adversely and materially affect our business in general and our results of operation.

Fluctuation in our direct costs

Our key direct costs in the provision of our construction activities are, among others, (i) subcontracting charges; (ii) cost of construction materials; and (iii) direct labour costs. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the aggregate of subcontracting charges, cost of construction materials and direct labour costs represented 87.4%, 89.5%, 90.3%, 89.3% and 90.5% of our total direct costs, respectively. For the details of the components comprising our direct costs, please refer to the paragraph headed “Description of selected components of our combined statements of profit or loss and other comprehensive income – Direct costs” in this section.

FINANCIAL INFORMATION

Structural steel, concrete, timber products, PVC panel and metal wares are construction materials primarily employed in our construction projects, which we purchase from suppliers or are provided by our customers (i.e. the main contractor in the case we are the subcontractor) under a contra-charge arrangement. We may also rent the machinery from third parties which are necessary to perform our works.

Fluctuation in any of the aforesaid costs will directly affect our profit during the implementation of our construction works. In the event that the direct costs increase unexpectedly to a level that we have to incur substantial extra costs, and if we are not compensated for such unexpected increase, our financial performance and profitability will be adversely affected.

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 4.4% and 2.2% increase or decrease in subcontracting charges, which corresponds to the approximate CAGR in average daily wage of workers from 2013 to 2019 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuation in subcontracting charges	(4.4)%	(2.2)%	2.2%	4.4%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 March 2016	5,522	2,761	(2,761)	(5,522)
For the year ended 31 March 2017	9,584	4,792	(4,792)	(9,584)
For the year ended 31 March 2018	9,166	4,583	(4,583)	(9,166)
For the year ended 31 March 2019	10,991	5,496	(5,496)	(10,991)
For the year ended 31 March 2020	11,723	5,862	(5,862)	(11,723)

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 1.4% and 0.7% increase or decrease in costs of construction materials, which corresponds to the approximate CAGR in the price of steel reinforcements, respectively, from 2013 to 2019 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuation in costs of construction materials	(1.4)%	(0.7)%	0.7%	1.4%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 March 2016	1,791	895	(895)	(1,791)
For the year ended 31 March 2017	3,779	1,889	(1,889)	(3,779)
For the year ended 31 March 2018	1,122	561	(561)	(1,122)
For the year ended 31 March 2019	970	485	(485)	(970)
For the year ended 31 March 2020	1,428	714	(714)	(1,428)

FINANCIAL INFORMATION

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 4.4% and 2.2% increase or decrease in direct labour costs, which corresponds to the approximate CAGR in average daily wage of workers in the construction industry in Hong Kong from 2013 to 2019 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuation in direct labour costs	(4.4)%	(2.2)%	2.2%	4.4%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 March 2016	3,001	1,500	(1,500)	(3,001)
For the year ended 31 March 2017	3,814	1,907	(1,907)	(3,814)
For the year ended 31 March 2018	4,237	2,119	(2,119)	(4,237)
For the year ended 31 March 2019	4,103	2,051	(2,051)	(4,103)
For the year ended 31 March 2020	5,057	2,529	(2,529)	(5,057)

Collectability of our trade receivables and their timing of collection

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is in general up to 10% of each interim payment and up to a maximum limit of 1% to 10% of the contract sum, is usually withheld by our customers as retention money. Normally a portion of the retention money will be released to us after the practical completion of our contract works and the remaining of which will be released to us after the defect liability period or finalisation of the final account of the project according to the contract terms. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention money will be released by our customers to us on a timely basis and in full. As at 31 March 2020, our trade receivables amounted to approximately HK\$72,405,000. Any late payment, whether arising from payment practice of our customers or delay in completion of our projects, may adversely affect our future liquidity position.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group's financial statements have been prepared in accordance with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgments, estimates and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

FINANCIAL INFORMATION

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Specifically, our 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

Our 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. Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- Our customer simultaneously receives and consumes the benefits provided by the entities’ performance as the entity performs; or
- Our Group’s performance creates and enhances an asset that the customer control as our Group performs; or
- Our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Our Group recognises revenue from provision of civil engineering works. Our Group provides civil engineering works under contracts with customers. Such contracts are entered into before the civil engineering works begin. Under the terms of the contracts, our Group’s performance creates and enhances an asset that the customers control which referred as the designate areas where the civil engineering works performed. Revenue from the provision of civil engineering works is recognised over time, using input method. The management of our Group has assessed the stage of completion determined as the proportion of the costs incurred for the works performed to date relative to the estimated total costs to complete the satisfaction of these services.

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 better predicts 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.

FINANCIAL INFORMATION

At the end of each reporting period, our 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.

Revenue from sales of goods is recognised at a point of time when control of the goods has been transferred, being when the goods have been shipped/delivered to the customers' specific location. A receivable is recognised by our Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration become unconditional, as only the passage of time is require before payment is due.

Contract asset/liability

A contract asset represents our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents our Group's unconditional right of 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 goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) our Group completes the construction works under services contracts but yet to be certified by architects, surveyors or other representatives appointed by customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as contract asset is reclassified to trade receivables at the point at which it is invoiced to our customers. If the consideration (including advances received form customers) exceeds the revenue recognised to date under the input method then our Group recognises a contract liability for the difference.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When our Group member undertakes activities under joint operations, we as a joint operator recognise in relation to our interest in a joint operation:

- assets, including our share of any assets held jointly;
- liabilities, including our share of any liabilities incurred jointly;
- revenue from the sale of our share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including our share of any expenses incurred jointly.

Our Group accounts for the assets, liabilities, revenue and expenses relating to our interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenue and expenses.

FINANCIAL INFORMATION

When our Group member transacts with a joint operation in which our Group member is a joint operator (such as a sale or contribution of assets), our Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in our Group's combined financial statements only to the extent of other parties' interests in the joint operation.

When our Group member transacts with a joint operation in which our Group member is a joint operator (such as a purchase of assets), our Group does not recognise its share of the gains and losses until it resells those assets to a third party.

The following table sets forth a summary of financial information of joint operations of our Group during the Track Record Period:

	For the year ended/As at 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	103,294	140,247	175,960	176,674	131,914
Assets	48,520	52,210	69,907	87,309	103,550
Liabilities	31,761	27,742	33,252	38,874	49,465
Net assets	16,759	24,468	36,655	48,435	54,085

Loss allowance for trade and other receivables

Our Group recognises loss allowance based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates based on the current creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and impairment loss in the period in which such estimate has been changed. As at 31 March 2016, 2017, 2018, 2019 and 2020, our Group had loss allowance for trade receivables of approximately nil, HK\$1,075,000, HK\$1,075,000, HK\$1,354,000 and HK\$821,000 for impairment loss, respectively.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

HKFRS 9 “Financial Instruments”

During the year ended 31 March 2019, our 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.

Our Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, amount due from a related company, amount due from a director, pledged bank deposits and bank balances and cash) and contract assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

FINANCIAL INFORMATION

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.

For further information regarding the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of the initial application, i.e. 1 April 2018, are set out in Notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus.

Based on the above, we consider that the adoption of HKFRS 9 did not have any significant impact on our financial position and performance.

HKFRS 15 “Revenue from Contracts with Customers”

HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations were superseded by HKFRS 15 for the annual periods beginning on or after 1 January 2018. However, we have early adopted HKFRS 15 on a consistent basis throughout the Track Record Period and there was no change from HKAS 11 to HKFRS 15 in our combined financial statements during the Track Record Period. For further information regarding to the revenue recognition under HKFRS 15, please refer to Notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus.

Based on the above, we consider that the early adoption of HKFRS 15 did not have any significant impact on our financial position and performance.

HKFRS 16 “Leases”

Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and financial information for the four years ended 31 March 2016, 2017, 2018 and 2019 have not been restated.

HKFRS 16 “Leases” results in almost all leases being recognised in the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under this standard, property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date on which the respective leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Following the adoption of HKFRS 16, leases (except for those with lease term of less than 12 months or of low value) are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses, and finance costs are charged instead of rental expenses.

FINANCIAL INFORMATION

Our Directors assess and expect such changes would increase the consolidated assets and consolidated liabilities of our Group, but may not have a material impact on the financial performance and the key ratios of our Group upon adoption of HKFRS 16. Our Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Historical Financial Information (as defined in the Appendix I to this prospectus).

Other significant accounting policies, estimates and judgments

Please refer to Notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus for other significant accounting policies and estimates applied in preparation of our combined financial statements.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

A summary of our Group's combined statements of profit or loss and other comprehensive income for the periods indicated, as extracted from the Accountants' Report included as Appendix I to this prospectus is set forth below:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	401,244	686,163	482,243	529,678	609,195
Direct costs	<u>(367,757)</u>	<u>(641,776)</u>	<u>(426,209)</u>	<u>(461,391)</u>	<u>(534,274)</u>
Gross profit	33,487	44,387	56,034	68,287	74,921
Other income	936	737	424	4,513	1,947
Administrative and other operating expenses	(18,005)	(17,436)	(19,380)	(41,919)	(26,829)
Finance costs	<u>(37)</u>	<u>(5)</u>	<u>(15)</u>	<u>(234)</u>	<u>(658)</u>
Profit before income tax	16,381	27,683	37,063	30,647	49,381
Income tax expense	<u>(3,582)</u>	<u>(4,281)</u>	<u>(6,006)</u>	<u>(7,120)</u>	<u>(8,932)</u>
Profit and total comprehensive income for the year attributable to owners of our Company	<u>12,799</u>	<u>23,402</u>	<u>31,057</u>	<u>23,527</u>	<u>40,449</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is principally generated from the provision of construction activities, which can be broadly categorised as (i) civil engineering works; and (ii) building works. The following table sets forth the breakdown of our revenue by nature of works during the Track Record Period:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Civil engineering works	401,083	685,551	477,731	496,609	494,960
Building works	<u>161</u>	<u>612</u>	<u>4,512</u>	<u>33,069</u>	<u>114,235</u>
Total	<u>401,244</u>	<u>686,163</u>	<u>482,243</u>	<u>529,678</u>	<u>609,195</u>

The following table sets forth a breakdown of our revenue derived from the public or private sector during the Track Record Period:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Public sector	390,393	685,551	461,753	480,772	449,026
Private sector	<u>10,851</u>	<u>612</u>	<u>20,490</u>	<u>48,906</u>	<u>160,169</u>
Total	<u>401,244</u>	<u>686,163</u>	<u>482,243</u>	<u>529,678</u>	<u>609,195</u>

We undertake construction projects as either the main contractor or subcontractor, the following table sets forth a breakdown of revenue derived from main contractor's or subcontractor's works during the Track Record Period:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Main contractor (<i>Note</i>)	115,054	143,403	177,658	199,082	199,179
Subcontractor	<u>286,190</u>	<u>542,760</u>	<u>304,585</u>	<u>330,596</u>	<u>410,016</u>
Total	<u>401,244</u>	<u>686,163</u>	<u>482,243</u>	<u>529,678</u>	<u>609,195</u>

Note: Main contractor includes the projects to which the main contractor is a joint venture of which our Group is one of the joint venture owners.

FINANCIAL INFORMATION

During the Track Record Period, we recognised revenue from 33 projects and of those 33 projects, 17 projects were ongoing as at the Latest Practicable Date, 16 projects were completed during the Track Record Period. The tables below set out a list of projects which contributed revenue to our Group during the Track Record Period:

Main Contractor

No.	Code	Site location	Type of works	Our role	Revenue recognised before the Track Record Period HK\$'000	Revenue recognised for the year ended 31 March				Accumulative revenue recognised since the project commencement HK\$'000	Percentage of completion as at 31 March 2020 %	Status	Gross profit/(loss) and gross profit margin for the years ended 31 March												
						2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000				2020 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2016 %	2017 %	2018 %	2019 %	2020 %		
1	Job 1	Kai Tak Area	Civil engineering works	Main contractor	255,930	6,775	-	-	-	262,998	100.0	Completed	9	3.1	217	3.2	-	-	-	-	-	-	-	-	
2	Job 4	Kwai Tong District	Civil engineering works	Main contractor	46,572	3,156	1,697	921	-	64,106	100.0	Completed	882	7.5	(356)	N/A	111	6.5	58	6.3	-	-	-	-	
3	Job 9	Hong Kong Area	Civil engineering works	Main contractor	52,495	67,924	57,350	32,722	2,472	294,872	99.1	Completed	4,494	5.5	3,736	5.5	2,885	5.0	1,758	5.4	(1,406)	N/A	-	-	
4	Job 11	Hong Kong Area	Civil engineering works	Main contractor	-	49,841	56,176	31,335	15,087	172,127	98.9	Ongoing	1,083	5.5	2,741	5.5	3,090	5.5	1,723	5.5	786	5.2	-	-	
5	Job 14	Hong Kong Area	Civil engineering works	Main contractor	-	13,160	30,510	65,689	42,609	133,872	99.0	Ongoing	96	6.0	717	5.4	1,831	6.0	3,941	6.0	2,557	6.0	-	-	
6	Job 17a	Kai Tak Area	Civil engineering works	Main contractor	-	2,211	27,653	41,275	61,425	132,564	59.9	Ongoing	-	-	89	4.0	1,116	4.0	1,666	4.0	2,480	4.0	-	-	
	Job 17b (Note 2)				-	336	4,072	5,654	6,116	16,178	71.9	Ongoing	-	-	136	3,036	2,692	938	-	-	-	-	-	-	
7	Job 26	Tsuen Wan District	Civil engineering works	Main contractor	-	-	-	16,799	40,351	57,150	93.2	Ongoing	-	-	-	-	-	-	1,680	10.0	4,035	10.0	-	-	
8	Job 27	Kwai Tong District	Civil engineering works	Main contractor	-	-	-	4,687	26,914	31,601	71.0	Ongoing	-	-	-	-	-	-	328	7.0	1,884	7.0	-	-	
9	Job 33	North District	Civil engineering works	Main contractor	-	-	-	-	4,205	4,205	0.5	Ongoing	-	-	-	-	-	-	-	294	7.0	-	-	-	
					354,997	115,054	143,403	177,658	199,082	199,179	1,189,373		6,564	7,280	12,069	13,846	11,568								

FINANCIAL INFORMATION

Subcontractor

No.	Code	Site location	Type of works	Our role	Revenue recognised before the Track Record Period HK\$'000	Revenue recognised for the year ended 31 March				Accumulative revenue recognised since the project commencement HK\$'000	Percentage of completion as at 31 March %	Status
						2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000			
1	Job 2	Tai Po District	Civil engineering works	Subcontractor	63,640	-	-	-	-	63,655	100.0	Completed
2	Job 3	Wan Chai District	Civil engineering works	Subcontractor	137,883	9,600	296	3,633	-	195,652	100.0	Completed
3	Job 5	Kai Tak Area	Civil engineering works	Subcontractor	61,699	110,332	33,166	18,107	5,110	277,788	100.0	Completed
4	Job 6	Eastern District	Civil engineering works	Subcontractor	48,237	583	5,833	-	-	64,000	100.0	Completed
5	Job 7	Kowloon City District	Civil engineering works	Subcontractor	29,819	-	123	-	-	40,652	100.0	Completed
6	Job 8	Islands District	Civil engineering works	Subcontractor	11,275	15,218	12,564	2,002	-	75,357	100.0	Completed
7	Job 10	Islands District	Civil engineering works	Subcontractor	6,013	52,823	24,855	15,531	-	153,818	100.0	Completed
8	Job 12	Wan Chai District	Civil engineering works	Subcontractor	-	3,078	2,392	5,268	-	94,008	100.0	Completed
9	Job 13	North District	Civil engineering works	Subcontractor	-	83,522	166,365	93,703	6,549	350,139	100.0	Completed
10	Job 15	Kowloon City District	Building works	Subcontractor	-	612	4,512	1,116	-	6,400	100.0	Completed
11	Job 16	Wan Chai District	Civil engineering works	Subcontractor	-	266,898	29,419	18,082	5,965	320,364	100.0	Completed
12	Job 18	Kai Tak Area	Civil engineering works	Subcontractor	-	94	7,629	17,341	24,880	51,944	97.4	Ongoing
13	Job 19	Wan Chai District	Civil engineering works	Subcontractor	-	-	15,855	28,789	77,988	122,652	96.8	Ongoing
14	Job 20	North District	Civil engineering works	Subcontractor	-	-	1,576	27,859	2,795	32,230	100.0	Completed
15	Job 21	Sham Shui Po District	Civil engineering works	Subcontractor	-	-	-	21,661	34,494	58,155	97.6	Ongoing
16	Job 22	Sham Shui Po District	Civil engineering works	Subcontractor	-	-	-	34,071	10,990	45,061	96.8	Ongoing
17	Job 23	North District	Civil engineering works	Subcontractor	-	-	-	5,287	194	5,481	100.0	Completed
18	Job 24	Islands District	Building works	Subcontractor	-	-	-	12,809	36,269	49,078	94.4	Ongoing
19	Job 25	Tuen Mun District	Building works	Subcontractor	-	-	-	19,144	71,262	90,406	99.7	Ongoing
20	Job 28	Kwun Tong District	Civil engineering works	Subcontractor	-	-	-	6,193	39,207	45,400	99.7	Ongoing
21	Job 30	Yau Tsim Mong District	Civil engineering works	Subcontractor	-	-	-	-	31,140	31,140	13.0	Ongoing
22	Job 31	Kwun Tong District	Civil engineering works	Subcontractor	-	-	-	-	21,632	21,632	19.9	Ongoing
23	Job 32	Kwun Tong District	Civil engineering works	Subcontractor	-	-	-	-	30,837	30,837	98.8	Ongoing
24	Job 34	Islands District	Building works	Subcontractor	-	-	-	-	6,704	6,704	61.9	Ongoing
					358,566	286,190	304,585	330,596	410,016	2,232,713		

Notes:

- As variations may be instructed or ordered by customers during the defect liability period after practical/substantial completion of the project, revenue may still be recognised subsequent to the completion date.
- Revenue from Job 17b is the management fee earned by our Group for providing supervision services for Job 17a for the main contractor which our Group is one of the joint venture owners.

FINANCIAL INFORMATION

Job 1

Our revenue generated from Job 1 was approximately HK\$293,000, HK\$6,775,000, nil, nil and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 1 commenced in July 2009 and was practically completed in August 2013. We were a joint venture partner of the main contractor of Job 1 which involved infrastructure works for public housing and Government office developments. The variation orders were generally related to the change of paving materials, revised design of water main and other miscellaneous works.

Gross profit from Job 1 was approximately HK\$9,000, HK\$217,000, nil, nil and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 1 was approximately 3.1%, 3.2%, N/A, N/A and N/A for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The relatively low gross profit margin for the project was mainly due to our role as the main contractor where our main contractor projects usually have a lower gross profit margin.

Job 2

Our revenue generated from Job 2 was approximately HK\$215,000, nil, nil, nil and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 2 commenced in September 2010 and was practically completed in June 2013. Job 2 was the provision of structure works to bridges and we were the subcontractor. The variations were generally related to the widening of highway.

During the Track Record Period, Job 2 had a relatively low overall gross profit margin. The relatively low gross profit margin was due to our more competitive pricing offered to the main contractor, which is a leading contractor in Hong Kong, in light of our intention to become its subcontractor for the first time.

Job 3

Our revenue generated from Job 3 was approximately HK\$44,240,000, HK\$9,600,000, HK\$296,000, HK\$3,633,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 3 commenced in June 2012 and was practically completed in November 2016. We were the subcontractor of Job 3 which involved provision of tunnel works. The variation orders were generally related to provision of additional works for tunnel structure and acceleration of works.

During the Track Record Period, Job 3 had a relatively low overall gross profit margin, because Job 3 was part of the Central-Wan Chai Bypass infrastructure project and our Directors were eager to secure Job 3 so that it could be a job reference for our Group to bid for other tunnel or construction works for other portions of the Central-Wan Chai Bypass. Subsequently, we were awarded Job 6, Job 12 and Job 16, which were subcontracts related to the construction of the Central-Wan Chai Bypass. The gross profit margin for the year ended 31 March 2019 decreased according to the agreement of the final account with the customer.

Job 4

Our revenue generated from Job 4 was approximately HK\$11,760,000, HK\$3,156,000, HK\$1,697,000, HK\$921,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 4 commenced in April 2013 and was practically completed in November 2016. We were the main contractor of Job 4 which involved the provision of pedestrian linkage works and the variation orders were generally the provision of revised design for footbridge and rest garden, additional works for modification of existing structure works and other miscellaneous works.

FINANCIAL INFORMATION

Gross profit/(loss) from Job 4 was approximately HK\$882,000, HK\$(356,000), HK\$111,000, HK\$58,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 4 was approximately 7.5%, N/A, 6.5%, 6.3% and N/A for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The temporary gross loss for the year ended 31 March 2017 was due to the additional costs expected for the variation orders, which lowered the overall expected gross profit margin. The project was profitable as a whole.

Job 5

Our revenue generated from Job 5 was approximately HK\$49,374,000, HK\$110,332,000, HK\$33,166,000, HK\$18,107,000 and HK\$5,110,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 5 commenced in July 2013 and was practically completed in June 2018. We were the subcontractor of Job 5 which involved the provision of roads and drainage and tunnel works and the variation orders were generally due to the change of paving material works and provision of other miscellaneous works.

For the years ended 31 March 2016, 2017 and 2018, Job 5 had a steady gross profit margin. For the years ended 31 March 2019 and 2020, the project gross profit margin increased as compared with the years ended 31 March 2016, 2017 and 2018. As the project was practically completed and substantially all project costs were incurred, the increase in gross profit margin was mainly due to the progress certificate issued by the customer and the agreement of final account with the customer in March 2019 and May 2019, respectively.

Job 6

Our revenue generated from Job 6 was approximately HK\$9,347,000, HK\$583,000, HK\$5,833,000, nil and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 6 commenced in August 2013 and was practically completed in March 2016. We were the subcontractor of Job 6 which involved provision of tunnel works and the variation orders were generally related to the acceleration works and provision of additional works for tunnel structure.

During the Track Record Period, Job 6 had a steady gross profit margin.

Job 7

Our revenue generated from Job 7 was approximately HK\$10,690,000, nil, HK\$123,000, nil and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 7 commenced in April 2014 and was practically completed in August 2017. We were the subcontractor of Job 7 which involved the superstructure and roadworks for the Shatin to Central Link and the variation orders were generally provision of additional structure works.

During the Track Record Period, Job 7 had a relatively high overall gross profit margin which was mainly due to the nature of the subcontract as bridge works are generally more complex and hence involve more risk.

Job 8

Our revenue generated from Job 8 was approximately HK\$34,298,000, HK\$15,218,000, HK\$12,564,000, HK\$2,002,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 8 commenced in July 2014 and was practically completed in August 2017. We were the subcontractor of Job 8 which was mainly provision of bridge works for a section of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road and the variation orders were generally for revised design for reinforcement at diaphragm and additional rigger for site clearance works.

FINANCIAL INFORMATION

During the Track Record Period, Job 8 had a relatively low overall gross profit margin which was mainly due to the long duration of the project with a not particularly large contract sum.

Job 9

Our revenue generated from Job 9 was approximately HK\$81,709,000, HK\$67,924,000, HK\$57,550,000, HK\$32,722,000 and HK\$2,472,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 9 commenced in August 2014 and was practically completed in November 2018. We were a joint venture partner of the main contractor of Job 9 which involved provision of barrier-free access facilities for highway structures and the variation orders were generally for revised design for piling and drainage.

Gross profit/(loss) from Job 9 was approximately HK\$4,494,000, HK\$3,736,000, HK\$2,885,000, HK\$1,758,000 and HK\$(1,406,000) for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 9 was approximately 5.5%, 5.5%, 5.0%, 5.4% and N/A for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The relatively low gross profit margin for the project was mainly due to our role as the main contractor where main contractor project usually has a lower gross profit margin. For the year ended 31 March 2020, the project recorded a gross loss as compared with a 5.4% gross profit margin for the year ended 31 March 2019. The gross loss for the year ended 31 March 2020 was mainly due to the cost incurred for the additional works instructed by the customer, the value of work done had yet to be confirmed by the customer during the financial period. Subsequent to the Track Record Period, some of the works done were certified by the customer. Despite the gross loss for the year, the project was overall profitable.

Job 10

Our revenue generated from Job 10 was approximately HK\$54,596,000, HK\$52,823,000, HK\$24,855,000, HK\$15,531,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 10 commenced in October 2014 and was practically completed in July 2018. We were the subcontractor of Job 10 which involved provision of bridge works for marine section and the variation orders were generally provision of additional bridge structure and additional scaffolding works.

During the Track Record Period, Job 10 had a relatively high overall gross profit margin which was mainly due to the nature of the subcontract as bridge works usually have a higher gross profit margin as more risk was involved. For the year ended 31 March 2019, the gross profit margin decreased as compared with the year ended 31 March 2018. The decrease in gross profit margin was mainly the result of the agreement of final account with the customer.

Job 11

Our revenue generated from Job 11 was approximately HK\$19,688,000, HK\$49,841,000, HK\$56,176,000, HK\$31,335,000 and HK\$15,087,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 11 commenced in April 2015 and is expected to be completed in November 2020. We were a joint venture partner of the main contractor of Job 11 which involved provision of universal access facilities for highway structures and the variation orders were generally for the provision of the revised design for foundation, additional works for trenching and reinstatement and other miscellaneous works.

FINANCIAL INFORMATION

Gross profit from Job 11 was approximately HK\$1,083,000, HK\$2,741,000, HK\$3,090,000, HK\$1,723,000 and HK\$786,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 11 was approximately 5.5%, 5.5%, 5.5%, 5.5% and 5.2% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The relatively low gross profit margin for the project was mainly due to our role as the main contractor where main contractor project usually has a lower gross profit margin. For the year ended 31 March 2020, the project gross profit margin decreased from 5.5% to 5.2% as compared to the year ended 31 March 2019. The decrease in gross profit margin for the year ended 31 March 2020 was mainly due to additional costs expected for the variation orders, which lowered the overall expected profit margin.

Job 12

Our revenue generated from Job 12 was approximately HK\$83,270,000, HK\$3,078,000, HK\$2,392,000, HK\$5,268,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 12 commenced in August 2015 and was practically completed in September 2016. We were the subcontractor of Job 12 which involved provision of tunnel works and the variation orders generally related to the acceleration works.

For the year ended 31 March 2019, the project recorded a gross loss as compared with a gross profit margin for the year ended 31 March 2018. The decrease in gross profit margin was mainly due to the agreement of the final account with the customer for the project and the project was less profitable than expected. However, despite the gross loss for that financial year, the project was overall profitable.

Job 13

Our revenue generated from Job 13 was approximately nil, HK\$83,522,000, HK\$166,365,000, HK\$93,703,000 and HK\$6,549,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 13 commenced in April 2016 and was practically completed in April 2019. We were the subcontractor of Job 13 which involved provision of bridge works and the variation orders were generally for additional works for bridge structure, the acceleration works and revised design for bridge structure.

During the Track Record Period, Job 13 had a relatively high overall gross profit margin mainly because (i) the subcontract involved bridge works, which in general have a higher gross profit margin as more risk was involved; and (ii) the customer instructed us variations of substantial size with a tight delivery schedule as compared with other bridge works with similar size. Although Job 13's duration was long, its tight delivery schedule is supported by the large initial contract sum of approximately HK\$256.2 million. Further, the variation works ordered since July 2016 had an aggregate amount of approximately HK\$94.0 million. In particular, the relevant bridge works were originally designed as precast concrete structures and were not included in our original subcontract scope, but the customer or the employer revised the construction of the precast concrete structures to be cast in-situ concrete structures, which our Group was instructed in January 2017 to carry out as variation works. During the years ended 31 March 2017 to 31 March 2019, the fluctuation of the gross profit margin was mainly due to higher gross profit margin for the variation works ordered since July 2016 for additional works. For the year ended 31 March 2020, the gross profit margin increased which was due to the agreement of final account for the project with the customer.

Job 14

Our revenue generated from Job 14 was approximately HK\$1,604,000, HK\$13,160,000, HK\$30,510,000, HK\$65,689,000 and HK\$42,609,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 14 commenced in November 2015 and is expected to be completed in November 2020. We were a joint venture partner of the main contractor of Job 14 which was mainly provision of barrier-free access for highway structures and the variation orders were generally for revised design for lift structure, ramp structure and electrical and mechanical works.

FINANCIAL INFORMATION

Gross profit from Job 14 was approximately HK\$96,000, HK\$717,000, HK\$1,831,000, HK\$3,941,000 and HK\$2,557,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 14 was approximately 6.0%, 5.4%, 6.0%, 6.0% and 6.0% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The relatively low gross profit margin for the project was mainly due to our role as the main contractor where main contractor project usually has a lower gross profit margin. For the year ended 31 March 2017, the gross profit margin decreased from 6.0% to 5.4% as compared with the year ended 31 March 2016. Such decrease was mainly due to the cost incurred during the year ended 31 March 2017 for carrying out variation orders, but the value of which had yet to be confirmed by the customer during the financial period.

Job 15

Our revenue generated from Job 15 was approximately HK\$160,000, HK\$612,000, HK\$4,512,000, HK\$1,116,000 and nil for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 15 commenced in February 2016 and was practically completed in September 2017. We were the subcontractor of Job 15 which involved provision of building works and the variation orders were generally provision of additional works for trenching.

During the Track Record Period, Job 15 had a relatively high overall gross profit margin. Due to the relatively small subcontract sum, our Group decided to have an aggressive pricing to secure sufficient profit for the project.

Job 16

Our revenue generated from Job 16 was approximately nil, HK\$266,898,000, HK\$29,419,000, HK\$18,082,000 and HK\$5,965,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 16 commenced in May 2016 and was practically completed in August 2017. We were the subcontractor of Job 16 which involved provision of tunnel works and the variation orders were generally for overtime working for accelerating works and revised design for tunnel structure.

During the Track Record Period, Job 16 had a relatively low overall gross profit margin which was mainly due to the nature of works which our Group expected to be able to complete in large volumes within a relatively short period of time. This allowed our Group to generate significant revenue in the year ended 31 March 2017. We therefore bid for the project at a competitive price at a lower gross profit margin as we were confident that we would be able to achieve a large size of profit. For the year ended 31 March 2019, the gross profit margin increased as compared with for the year ended 31 March 2018, and further increased for the year ended 31 March 2020. The increase in gross profit margin was mainly due to agreement of final account with the customer.

Job 17

Our revenue generated from Job 17 was approximately nil, HK\$2,211,000, HK\$27,653,000, HK\$41,275,000 and HK\$61,425,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 17 commenced in December 2016 and is expected to be completed in September 2022. We were a joint venture partner of the main contractor of Job 17 which involved provision of infrastructure works at Kai Tak Development and the variation orders were generally for revised design for tunnel, additional works for district cooling system diversion and demolition of existing bridge.

FINANCIAL INFORMATION

Gross profit from Job 17 was approximately nil, HK\$89,000, HK\$1,116,000, HK\$1,666,000 and HK\$2,480,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 17 was approximately N/A, 4.0%, 4.0%, 4.0% and 4.0% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The relatively low gross profit margin for the project was mainly due to our role as the main contractor where a main contractor project usually has a lower gross profit margin.

In December 2016, the integrated joint venture between our Group and our joint venture partner, Build King Group, was awarded Job 17 by the CEDD. As confirmed by our Directors, each of the joint venture partners agreed that each of them would assign staff for the overall supervision and management of the project and the recorded costs of each joint venture partner's project management and supervision staff would be reimbursed as the management fee, being the revenue of Job 17b. The management fee was payable by the joint venture to each of the joint venture partners. Our Directors are of the view that it is common in the industry for joint venture partners of similar kind of integrated joint ventures to assign members to work for the joint venture to be the main contractor and to charge such management fee based on the number of staff and roles of staff assigned for project management and supervision. For details and principal terms of the joint venture agreements for Job 17 and other joint ventures entered into between our Group and Build King Group, please refer to the section headed "Business – Our projects – Job 17".

Job 18

Our revenue generated from Job 18 was approximately nil, HK\$94,000, HK\$7,629,000, HK\$17,341,000 and HK\$26,880,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 18 commenced in April 2017 and is expected to be completed in September 2022. We were the subcontractor of Job 18 which involved provision of drainage and water works, road works and reinforced concrete structures and the variation orders were generally for revised design for drainage, additional works for demolition of existing bridge and temporary traffic diversion and other miscellaneous works.

During the Track Record Period, Job 18 had a steady gross profit margin.

Job 19

Our revenue generated from Job 19 was approximately nil, nil, HK\$15,855,000, HK\$28,789,000 and HK\$77,988,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 19 commenced in September 2017 and is expected to be completed in October 2020. We were the subcontractor of Job 19 which involved provision of tunnel works and the variation orders were generally provision of additional works such as platforms, footbridge, scaffolding and construction joints and the acceleration works for flood protection wall.

During the Track Record Period, Job 19 had a relatively high overall gross profit margin which was mainly due to the nature of work and technical complexity of the project which involved works below ground and a relatively narrow working space allowed in construction of the deep and large ventilation shaft. For the year ended 31 March 2020, the gross profit margin increased which was due to the acceleration order instructed by the customer with an additional fee.

Job 20

Our revenue generated from Job 20 was approximately nil, nil, HK\$1,576,000, HK\$27,859,000 and HK\$2,795,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 20 commenced in March 2018 and was practically completed in April 2019. We were the subcontractor of Job 20 which involved provision of bridge works and the variation orders were generally provision of resources for remedial works and revised design for bridge structure works.

FINANCIAL INFORMATION

During the Track Record Period, Job 20 had a relatively high overall gross profit margin which was mainly due to the relatively tight delivery schedule given to our Group as our Group was required to take up works already done by another party and to modify and maintain the existing falsework and formwork. For the year ended 31 March 2019, the gross profit margin decreased which was mainly due to the additional costs during the financial period, but the value of which had yet to be confirmed by our customer during the financial period. For the year ended 31 March 2020, the gross profit margin increased which was due to the certification of works done which were incurred in the previous financial years as agreed in the final account of the project with the customer.

Job 21

Our revenue generated from Job 21 was approximately nil, nil, nil, HK\$21,661,000 and HK\$36,494,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 21 commenced in July 2018 and is expected to be completed in September 2020. We were the subcontractor of Job 21 which involved construction of bridge superstructure and associated works and the variation orders were generally provision of additional works for bridge structure and vehicle portal.

During the Track Record Period, Job 21 had a relatively high overall gross profit margin which was mainly due to project nature of the subcontract as our bridge works usually have a higher gross profit margin as more risk was involved.

Job 22

Our revenue generated from Job 22 was approximately nil, nil, nil, HK\$34,071,000 and HK\$10,990,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 22 commenced in April 2018 and is expected to be completed in October 2020. We were the subcontractor of Job 22 which involved provision of structural steelwork, glazing, aluminum panel and VE panel and the variation orders were generally related to additional works for covered walkway and shelter, cladding and revised design for gutter.

During the Track Record Period, Job 22 had a relatively low overall gross profit margin which was mainly due to our offering of attractive price as we wanted to accumulate job references of structural steel projects.

Job 23

Our revenue generated from Job 23 was approximately nil, nil, nil, HK\$5,287,000 and HK\$194,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 23 commenced in July 2018 and was practically completed in February 2019. We were the subcontractor of Job 23 which involved provision of roads and drainage works and the variation orders were generally for additional works for drainage and water main.

During the Track Record Period, Job 23 had a relatively high overall gross profit margin. Due to the relatively small subcontract sum, our Group decided to have an aggressive pricing to secure sufficient profit for the project. For the year ended 31 March 2020, the gross profit margin increased considerably as compared for the year ended 31 March 2019. The high gross profit margin was due to the agreement of final account for the project with the customer. The overall gross profit margin was not particularly high.

Job 24

Our revenue generated from Job 24 was approximately nil, nil, nil, HK\$12,809,000 and HK\$36,269,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 24 commenced in November 2018 and is expected to be completed in October 2020. We were the subcontractor of Job 24 which involved provision of building works with structural steel works.

FINANCIAL INFORMATION

During the Track Record Period, Job 24 had a steady gross profit margin.

Job 25

Our revenue generated from Job 25 was approximately nil, nil, nil, HK\$19,144,000 and HK\$71,262,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 25 commenced in November 2018 and is expected to be completed in October 2020. We were the subcontractor of Job 25 which involved provision of structure to tunnel buildings and the variation orders generally included additional works for external working platform, boundary wall, scaffolding works, reinforced concrete wall construction and arranging additional resources to speed up the progress.

During the Track Record Period, Job 25 had a steady gross profit margin.

Job 26

Our revenue generated from Job 26 was approximately nil, nil, nil, HK\$16,799,000 and HK\$40,351,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 26 commenced in September 2018 and is expected to be completed in December 2020. We were the main contractor of Job 26 which involved provision of major civil engineering works for cycle track and the variation orders were generally provision of revised design for drainage and construction of pedestrian walkway.

Gross profit from Job 26 was approximately nil, nil, nil, HK\$1,680,000 and HK\$4,035,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 26 was approximately N/A, N/A, N/A, 10.0% and 10.0% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. During the Track Record Period, Job 26 had a steady gross profit margin.

Job 27

Our revenue generated from Job 27 was approximately nil, nil, nil, HK\$4,687,000 and HK\$26,914,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 27 commenced in November 2018 and is expected to be completed in May 2022. We were the main contractor of Job 27 which involved provision of major civil engineering works relating to footbridge and the variation orders were generally provision of revised design for foundation and inspection pit and revised abutment.

Gross profit from Job 27 was approximately nil, nil, nil, HK\$328,000 and HK\$1,884,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 27 was approximately N/A, N/A, N/A, 7.0% and 7.0% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. During the Track Record Period, Job 27 had a steady gross profit margin.

Job 28

Our revenue generated from Job 28 was approximately nil, nil, nil, HK\$6,193,000 and HK\$39,207,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 28 commenced in January 2019 and is expected to be completed in October 2020. We were the subcontractor of Job 28 which involved provision of excavation and lateral support and pile-cap works and the variation orders were generally provision of wire mesh in concrete blinding layer and additional works for marine mud disposal.

During the Track Record Period, Job 28 had a steady gross profit margin.

FINANCIAL INFORMATION

Job 30

Our revenue generated from Job 30 was approximately nil, nil, nil, nil and HK\$31,140,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 30 commenced in May 2019 and is expected to be completed in June 2023. We were the subcontractor of Job 30 which involved provision of reinforced concrete structure of cut-and-cover tunnel works and the variation orders were generally provision of additional structural works.

During the Track Record Period, Job 30 had a relatively high overall gross profit margin which was mainly due to the nature of work and technical complexity of the project which involved works below ground with construction methodology of cut-and-cover tunnelling. According to the construction drawings, the cut-and-cover tunnel adopted the “top-down” approach, whereby the top slab of the tunnel is constructed before excavation downward and entrance holes were left at the top slab for material transportation, thereby created difficulties for the material transportation within the tunnel.

Job 31

Our revenue generated from Job 31 was approximately nil, nil, nil, nil and HK\$21,632,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 31 commenced in September 2019 and is expected to be completed in September 2021. We were the subcontractor of Job 31 which involved provision of pile cap, pier, pier head, abutment and cast in-situ deck of bridge.

During the Track Record Period, Job 31 had a relatively high overall gross profit margin which was mainly due to the nature of work and technical complexity for construction of bridge structures which were designed in the shape to involve the use of numerous sets of metal formworks and risk was involved in bridge construction for working at height.

Job 32

Our revenue generated from Job 32 was approximately nil, nil, nil, nil and HK\$30,837,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 32 commenced in July 2019 and is expected to be completed in November 2020. We were the subcontractor of Job 32 which involved provision of reinforced concrete works for the bridge pile cap, pier, pier head and abutment.

During the Track Record Period, Job 32 had a relatively high overall gross profit margin which was mainly due to the nature of work and technical complexity of the project as working at sea required different project management resources and arrangements of transportation for labour to the work area that our Group decided to have a more aggressive pricing strategy.

Job 33

Our revenue generated from Job 33 was approximately nil, nil, nil, nil and HK\$4,205,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 33 commenced in December 2019 and is expected to be completed in January 2026. We were a joint venture partner of the main contractor of Job 33 which involved provision of site formation and roads and drainage works.

Gross profit from Job 33 was approximately nil, nil, nil, nil and HK\$294,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Our gross profit margin for Job 33 was approximately N/A, N/A, N/A, N/A and 7.0% for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

FINANCIAL INFORMATION

Job 34

Our revenue generated from Job 34 was approximately nil, nil, nil, nil and HK\$6,704,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Job 34 commenced in December 2019 and is expected to be completed in October 2020. We were a joint venture partner of the subcontractor of Job 34 which was involved transportation and heavy lifting of the main structure of the bridge.

During the Track Record Period, Job 34 had a relatively high gross profit margin which was mainly due to the nature of work and the complexity of transporting and heavy lifting of the gigantic structure within the Hong Kong International Airport's apron area.

Direct costs

The following table sets out the breakdown of our Group's direct costs during the Track Record Period:

	2016		2017		For the year ended 31 March 2018		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	125,493	34.1	217,827	33.9	208,312	48.9	249,801	54.1	266,436	49.9
Cost of construction materials	127,898	34.8	269,906	42.1	80,131	18.8	69,253	15.0	101,973	19.1
Direct labour costs	68,194	18.5	86,692	13.5	96,301	22.6	93,248	20.2	114,935	21.5
Machinery leasing expenses	10,600	2.9	26,076	4.1	9,487	2.2	10,456	2.3	14,535	2.7
Equipment leasing expenses	-	-	1,515	0.2	8,251	2.0	8,418	1.8	8,459	1.6
Consultants' costs	4,240	1.2	730	0.1	811	0.2	525	0.1	63	-
Other direct costs	31,332	8.5	39,030	6.1	22,916	5.3	29,690	6.5	27,873	5.2
Total	367,757	100.0	641,776	100.0	426,209	100.0	461,391	100.0	534,274	100.0

Subcontracting charges

Subcontracting charges represent fees paid to our subcontractors, which performed the works subcontracted by us. Our subcontracting charges during the Track Record Period changed primarily due to the change in value of works subcontracted. During the year ended 31 March 2017, more construction materials were consumed for the construction of the reinforced concrete bridge structure for Job 13, which was a relatively large project for that year, since share of construction materials for total direct costs was higher, the percentage of subcontracting charges to total direct costs slightly dropped. During the year ended 31 March 2018, our subcontracting charges as a percentage of total direct costs increased mainly because our subcontractors undertook substantial retrofit barrier-free access facilities work for Job 9, Job 11 and Job 14, which had resulted in a higher proportion of subcontracting charges as compared with other periods. For the year ended 31 March 2019, our subcontracting charges as a percentage of total direct costs increased mainly because (i) for Job 13, the progress of the project required more inputs from subcontractors for the installation work as compared with the year ended 31 March 2018; and (ii) we undertook a new project, namely Job 22, which the cost of construction materials was agreed to be borne by our subcontractors and reflected in the subcontracting charges. For the year ended 31 March 2020, subcontracting charges as a percentage of total direct costs remained high although our direct labour undertook works in Job 17 and construction materials for Job 25 were significant, Job 14 and Job 28 required more inputs from subcontractors.

FINANCIAL INFORMATION

Cost of construction materials

Cost of construction materials mainly represents direct costs for the purchase of construction materials, such as structural steel, concrete, timber products, PVC panel and metal wares for use in our project works. Consumption of construction materials and their costs may vary from project to project, as (i) the consumption of raw materials varies according to different types of works performed, for example, the use of PVC panel is usually higher in roads and drainage projects than in site formation or building works; and (ii) the cost of construction materials may be agreed to be borne by us or by our customers or subcontractors depending on our contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project. The cost of materials which are provided by our subcontractors are generally reflected in the subcontracting charges. For the three years ended 31 March 2018, the fluctuations in cost of construction materials were in line with revenue. For the year ended 31 March 2019, cost of construction materials decreased as our subcontractors supplied a larger amount of materials for installation which was included in subcontracting charges. For the year ended 31 March 2020, cost of construction materials, as well as its proportion to total direct costs, increased as compared to the corresponding period in 2019, mainly due to more construction materials being provided by our customers and charged to our Group.

Direct labour costs

Direct labour costs represent salaries and benefits to our staff who are directly involved in the provision of our construction works. To cope with increasing workload posed by our business expansion, we have deployed more labour to carry out civil engineering works and project management during the three years ended 31 March 2018. The use of subcontractor may reduce the use of direct labour. For the year ended 31 March 2019, direct labour costs as a percentage of total direct costs reduced because of the increased subcontracting corresponding to project requirements.

Machinery and equipment leasing expenses

Machinery and equipment leasing expenses represent the rent for the lease of machinery to supplement our own machinery fleet. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, machinery and construction equipment we rented included cranes, generators and concrete pump trucks, and we incurred machinery and equipment leasing expenses of approximately HK\$10,600,000, HK\$27,591,000, HK\$17,738,000, HK\$18,874,000 and HK\$22,994,000, respectively. Such increase was mainly resulted from the increase in number of sizeable projects undertaken by us and we need more machinery and equipment than we owned for the site operations.

Consultants' costs

Consultants' costs mainly represent costs for consultant's services provided directly to our construction projects, which mainly included costs for alternative engineering design, traffic diverging and management consulting, independent checking engineers, land surveying and safety audits. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, consultants' costs amounted to approximately HK\$4,240,000, HK\$730,000, HK\$811,000, HK\$525,000 and HK\$63,000, respectively. The majority of the consultant services were required for Job 9, Job 11 and Job 14, which we were the main contractor. For Job 9, approximately HK\$2.5 million was incurred to engage two engineering consultancy firms during the Track Record Period, out of which approximately HK\$2.1 million was incurred to a consultancy firm in relation to a contractor's cost saving design for the revised foundation for lift structure and ramp and the remaining balance of approximately HK\$400,000 was incurred to another consultancy firm which acted as our independent checking engineer for the checking and approval of the cost saving design mentioned above. As Job 9, Job 11 and Job 14 approached completion during the year ended 31 March 2020 and the requirements of consultants' services for other projects were not material, consultants' costs for the year ended 31 March 2020 significantly reduced as compared to other financial years during the Track Record Period.

FINANCIAL INFORMATION

Other direct costs

Other direct costs include less significant and/or miscellaneous direct costs for carrying out the works undertaken by us, which mainly included the depreciation of our site equipment, travelling and consumables used in sites. The amounts in aggregate were approximately HK\$31,332,000, HK\$39,030,000, HK\$22,916,000, HK\$29,690,000 and HK\$27,873,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by type of works and the business sectors during the Track Record Period:

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Civil engineering works	33,442	8.3	44,216	6.4	54,774	11.5	64,865	13.1	63,595	12.8
Building works	<u>45</u>	27.9	<u>171</u>	27.9	<u>1,260</u>	27.9	<u>3,422</u>	10.3	<u>11,326</u>	9.9
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Public sector	31,871	8.2	44,144	6.4	52,378	11.3	61,683	12.8	50,041	11.1
Private sector	<u>1,616</u>	14.9	<u>243</u>	39.7	<u>3,656</u>	17.8	<u>6,604</u>	13.5	<u>24,880</u>	15.5
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

	For the year ended 31 March									
	2016		2017		2018		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Main contractor (Note)	6,564	5.7	7,280	5.1	12,069	6.8	13,846	7.0	11,568	5.8
Subcontractor	<u>26,923</u>	9.4	<u>37,107</u>	6.8	<u>43,965</u>	14.4	<u>54,441</u>	16.5	<u>63,353</u>	15.5
	<u>33,487</u>	8.3	<u>44,387</u>	6.5	<u>56,034</u>	11.6	<u>68,287</u>	12.9	<u>74,921</u>	12.3

Note: Main contractor includes the projects to which the main contractor is a joint venture of which our Group is one of the joint venture owners.

FINANCIAL INFORMATION

During the Track Record Period, our gross profit margin varied across projects. Our project gross profit and gross profit margin depended on a number of factors, including (i) the agreed price; (ii) the nature and complexity of projects that were undertaken by our Group; (iii) the actual cost incurred and our budget cost for the project; (iv) the progress of such projects during the relevant financial year; and (v) our cost control and management. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year. Accordingly, for all of our projects, roads and drainage works or building works, public or private, our Directors are of the view that no clear benchmark of profit margin based on our different business segments could be established. It is our Directors' objective to maximise gross profit margin for each project.

Our gross profit margin decreased from 8.3% for the year ended 31 March 2016 to 6.5% for the year ended 31 March 2017 and increased to 11.6% for the year ended 31 March 2018 and further increased slightly to 12.9% for the year ended 31 March 2019. For the year ended 31 March 2018, the increase in gross profit margin was primarily contributed by the relatively more profitable project Job 13. For the year ended 31 March 2019, several projects that contributed larger amount of gross profit also had a higher gross profit margin, including Job 5, Job 13 and Job 16. For the detailed discussion on our gross profit margins, please refer to the paragraph headed "Period to period comparison of results of operations" in this section.

Other income

The following table sets out the nature of other income of our Group during the Track Record Period:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Compensation income	126	246	62	2,949	–
Gain on disposal of property, plant and equipment	509	131	27	1,438	1,272
Interest income	–	–	–	98	182
Others	301	360	335	28	493
	<u>936</u>	<u>737</u>	<u>424</u>	<u>4,513</u>	<u>1,947</u>

The decrease in other income from 31 March 2016 to 31 March 2018 was mainly due to the decrease in gain on disposal of property, plant and equipment. For the year ended 31 March 2019, the increase in other income was mainly due to (i) the increase in compensation income from the insurance company for covering the damage of the works happened during the year ended 31 March 2017 related to the deformation of the supporting falsework which caused damage to the newly built concrete slab on it in Job 5; and (ii) the increase in gain on disposal of property, plant and equipment. For the year ended 31 March 2020, the decrease in other income was mainly due to the decrease in compensation income.

FINANCIAL INFORMATION

Administrative and other operating expenses

The following table sets out the breakdown of the administrative and other operating expenses during the Track Record Period:

	2016		2017		For the year ended 31 March				2020	
	HK\$'000	%	HK\$'000	%	2018	2019	2020	2020	HK\$'000	%
Auditor's remuneration	456	2.5	629	3.6	976	5.0	400	1.0	400	1.5
Consultancy fee	708	3.9	705	4.0	1,160	6.0	1,720	4.0	1,012	3.8
Depreciation	51	0.3	67	0.4	71	0.4	233	0.6	1,557	5.8
Entertainment and travelling	1,996	11.1	867	5.0	504	2.6	631	1.5	584	2.2
Insurance	292	1.6	561	3.2	925	4.8	394	0.9	373	1.4
Motor vehicle expenses	1,837	10.2	1,770	10.2	2,175	11.2	2,645	6.3	934	3.5
Office supplies	1,142	6.3	1,116	6.4	1,177	6.1	1,663	4.0	936	3.5
Impairment/(reversal of) loss allowance on trade receivables, net of reversal/impairment	-	-	1,075	6.2	-	-	46	0.1	(212)	(0.8)
Operating lease charges in respect of leased premises	862	4.8	966	5.5	947	4.9	1,463	3.5	1,370	5.1
Repairs and maintenances	763	4.2	719	4.1	488	2.5	219	0.5	146	0.5
Staff cost (including directors' emoluments)	7,296	40.5	6,033	34.6	8,555	44.1	11,137	26.6	13,518	50.4
Utility and clearing charges	826	4.6	452	2.6	104	0.5	232	0.6	143	0.5
Listing expenses	-	-	-	-	-	-	17,941	42.8	3,613	13.5
Others	1,776	10.0	2,476	14.2	2,298	11.9	3,195	7.6	2,455	9.1
	<u>18,005</u>	<u>100.0</u>	<u>17,436</u>	<u>100.0</u>	<u>19,380</u>	<u>100.0</u>	<u>41,919</u>	<u>100.0</u>	<u>26,829</u>	<u>100.0</u>

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our Group incurred consultancy fee of approximately HK\$708,000, HK\$705,000, HK\$1,160,000, HK\$1,720,000 and HK\$1,012,000, respectively. Our Directors confirm that our consultancy fee mainly consisted of consultancy services in relation to tender submission and business operation. For the year ended 31 March 2018, the increase in consultancy fee was mainly due to the consultancy fee paid for renewal of ISO 9001: 2015 and ISO 14001: 2015, while there were also other miscellaneous consultant services provided to our Group for our business operation, such as safety, surveying and temporary works coordination. For the year ended 31 March 2019, the consultancy fee was mainly related to the temporary works coordination and application for the admission to Group B (Probation) contractor under the Roads and Drainage category. Although our Group has a long operating history in the construction industry, application to the Development Bureau for the admission to the Approved Contractors List required submission of various information to the Development Bureau, including the relevant project details, management and technical personnel, and necessary financial documents for demonstration of appropriate technical and management capabilities and meeting the financial criteria established by the Development Bureau, which our Directors considered necessary to appoint an experienced consultancy firm for assistance in the application and vetting process. According to the Ipsos Report, it is not uncommon for construction contractors to engage competent consultancy firms to provide ISO consultancy services including the provision of training and guidelines to the construction contractors to ensure compliance with the ISO certifications requirements and to engage consultancy firm to assist in their application for registration of the Approved Contractors List. During the Track Record Period, our Directors confirm that our entertainment and travelling expenses mainly consisted of travelling expenses for business purposes and entertainment fee with business client. During the Track Record Period, our Group incurred entertainment and travelling expenses of approximately HK\$1,996,000, HK\$867,000, HK\$504,000, HK\$631,000 and HK\$584,000, respectively. For the year ended 31 March 2016, entertainment and travelling expenses were higher than the other years in the Track Record Period, due to the relatively frequent social events and business development activities, which were mainly business lunch and dinner events with which we were keen to maintain customer relationship and we were engaged in more subcontracting projects. Such expenses formed over half of the entertainment and travelling expenses for the year ended 31 March 2016. Higher frequency was considered necessary by our Directors during the year ended 31 March 2016 for connecting with our different business partners. The frequency was reduced in subsequent financial years as our Directors devoted more of their time to project works given that more large scale projects were undertaken by our Group.

FINANCIAL INFORMATION

Our Directors confirm that, to the best of their knowledge and belief, save for the relationships, transactions and/or agreements in the usual and ordinary course of business of our Group and otherwise disclosed in this prospectus, none of our Company, Shareholders, Directors, senior management or their respective close associates had any past or present relationship (including shareholding, employment, business or trust relationship), financing or fund flow transaction, agreement, arrangement or understanding with any of the consultancy service providers or counterparties (including their respective shareholders, directors and subsidiaries) for the consultancy service providers or counter parties involved for the social events and business development activities.

Finance costs

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our Group incurred finance costs of approximately HK\$37,000, HK\$5,000, HK\$15,000, HK\$234,000 and HK\$658,000, respectively. The finance costs for the Track Record Period was mainly related to the interest expense on the obligations under finance leases, the new bank borrowings and the lease liabilities.

Income tax

During the Track Record Period, we were subject to Hong Kong Profits Tax for our operation in Hong Kong. The statutory profits tax rate in Hong Kong was 16.5% on assessable profits for the five years ended 31 March 2020. For 2018/19 onwards, the profits tax rates are 8.25% on assessable profits up to HK\$2 million and 16.5% on any parts of assessable profits over HK\$2 million. We have no tax payable in jurisdiction other than Hong Kong during the Track Record Period. Our income tax expense comprised current tax expense and the deferred tax expense. The effective tax rate for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 was 21.9%, 15.5%, 16.2%, 23.2% and 18.1%, respectively.

There was a discrepancy between our Group's income tax expense and tax paid over the Track Record Period. Our Group's income tax expenses amounted to approximately HK\$3,582,000, HK\$4,281,000, HK\$6,006,000, HK\$7,120,000 and HK\$8,932,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Tax paid amounted to approximately HK\$112,000, HK\$278,000, HK\$761,000, HK\$15,418,000 and HK\$9,944,000 for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The discrepancy was mainly due to our Group's failure to notify the IRD of the chargeability to tax for the years of assessment 2013/14, 2014/15, 2015/16 and 2016/17. For details, please refer to the section headed "Business – Legal and regulatory compliance – Non-compliance with the Inland Revenue Ordinance".

Save for the incident disclosed, our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

For the year ended 31 March 2020 compared with the year ended 31 March 2019

Revenue

Our revenue increased by 15.0% from approximately HK\$529,678,000 for the year ended 31 March 2019 to approximately HK\$609,195,000 for the year ended 31 March 2020. The following table summarises the scale of projects in which we were involved together with the revenue recognised in the respective period as indicated:

Revenue recognised from construction projects	For the year ended 31 March			
	2019		2020	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Above HK\$10,000,000	16	500,571	15	575,201
HK\$5,000,001 to HK\$10,000,000	3	16,748	4	24,328
HK\$1,000,001 to HK\$5,000,000	4	11,438	3	9,472
Below HK\$1,000,001	1	921	1	194
	24	529,678	23	609,195

For the year ended 31 March 2020, three projects, namely Job 17, Job 19 and Job 25, each of which contributed revenue of more than HK\$50 million. For the year ended 31 March 2019, there were two projects contributed revenue of more than HK\$50 million.

Direct costs

Our direct costs increased from approximately HK\$461,391,000 for the year ended 31 March 2019 to approximately HK\$534,274,000 for the year ended 31 March 2020. Such increase was generally in line with the increase in revenue and the reasons set out in the paragraph headed “Gross profit and gross profit margin” below for the same period.

Gross profit and gross profit margin

Our gross profit increased by 9.7% from approximately HK\$68,287,000 for the year ended 31 March 2019 to approximately HK\$74,921,000 for the year ended 31 March 2020. For the year ended 31 March 2020, several projects, including Job 16, Job 17, Job 19, Job 21, Job 24, Job 25, Job 26, Job 30, Job 31 and Job 32, each of which contributed gross profit of more than HK\$3 million.

Our gross profit margin decreased from approximately 12.9% for the year ended 31 March 2019 to approximately 12.3% for the year ended 31 March 2020. The lower gross profit margin was mainly due to variation orders instructed by our customer for Job 9 after completion of the project but the variation amounts were under assessment by our customer. Hence only the costs but not the revenue were recognised for the variations. Job 25 and Job 28 were commenced after the year ended 31 March 2019 that also had a relatively low gross profit margin for the year ended 31 March 2020.

FINANCIAL INFORMATION

Other income

Our other income decreased from approximately HK\$4,513,000 for the year ended 31 March 2019 to approximately HK\$1,947,000 for the year ended 31 March 2020. For the year ended 31 March 2020, the decrease in other income was mainly due to the decrease in compensation income and gain on disposal of property, plant and equipment.

Administrative and other operating expenses

Our administrative and other operating expenses decreased from approximately HK\$41,919,000 for the year ended 31 March 2019 to approximately HK\$26,829,000 for the year ended 31 March 2020. Such decrease was mainly due to the decrease in listing expenses.

Finance costs

Our finance costs increased from approximately HK\$234,000 for the year ended 31 March 2019 to approximately HK\$658,000 for the year ended 31 March 2020. Such increase was mainly due to the interest on bank loans and bank overdrafts incurred during the year ended 31 March 2020. The bank loans and bank overdrafts were arranged to support our operations.

Income tax

Our income tax increased by 25.4% from approximately HK\$7,120,000 for the year ended 31 March 2019 to approximately HK\$8,932,000 for the year ended 31 March 2020. The decrease in income tax was mainly due to the decrease in effective tax rate resulted from the decrease in listing expenses which were not tax deductible.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased by 71.9% from approximately HK\$23,527,000 for the year ended 31 March 2019 to approximately HK\$40,449,000 for the year ended 31 March 2020. Our net profit margin also increased from 4.4% to 6.6%.

For the year ended 31 March 2019 compared with the year ended 31 March 2018

Revenue

Our revenue increased by 9.8% from approximately HK\$482,243,000 for the year ended 31 March 2018 to approximately HK\$529,678,000 for the year ended 31 March 2019. The following table summarises the scale of projects we were involved together with the revenue recognised in the respective period as indicated:

Revenue recognised from construction projects	For the year ended 31 March			
	2018		2019	
	Number of projects	HK\$'000	Number of projects	HK\$'000
Above HK\$10,000,000	10	458,185	16	500,571
HK\$5,000,001 to HK\$10,000,000	2	13,462	3	16,748
HK\$1,000,001 to HK\$5,000,000	4	10,177	4	11,438
Below HK\$1,000,001	2	419	1	921
	18	482,243	24	529,678

FINANCIAL INFORMATION

For the year ended 31 March 2019, we were involved in more large scale projects: 16 of our projects contributed revenue of more than HK\$10 million and 3 of our projects contributed revenue between HK\$5 million and HK\$10 million. For the year ended 31 March 2018, there were 10 and 2 projects contributed revenue of more than HK\$10 million and between HK\$5 million and HK\$10 million, respectively.

Direct costs

Our direct costs increased from approximately HK\$426,209,000 for the year ended 31 March 2018 to approximately HK\$461,391,000 for the year ended 31 March 2019. Such increase was generally in line with the increase in revenue and the reasons set out in the paragraph headed “Gross profit and gross profit margin” below for the same period.

Gross profit and gross profit margin

Our gross profit increased by 21.9% from approximately HK\$56,034,000 for the year ended 31 March 2018 to approximately HK\$68,287,000 for the year ended 31 March 2019. The gross profit was higher because several projects, including Job 5, Job 13 and Job 16, each contributed significant amount of gross profit of more than HK\$5 million and had a relatively higher gross profit margin for the year ended 31 March 2019.

Our gross profit margin increased from approximately 11.6% for the year ended 31 March 2018 to approximately 12.9% for the year ended 31 March 2019. The relatively high profit margin was mainly due to Job 5, Job 13 and Job 16. For Job 5 and Job 16 which were completed, the final progress certificates were issued by the customers to show that we achieved cost saving and increased project gross margin. For Job 13, the customer instructed variations of substantial size with a tight delivery schedule, and the variations resulted in higher gross profit margin for the project according to the bill of quantities of the projects. Even without the variations, Job 13 was expected to have a higher than average gross profit margin, given the tight completion schedule and higher pricing.

Other income

Our other income increased from approximately HK\$424,000 for the year ended 31 March 2018 to approximately HK\$4,513,000 for the year ended 31 March 2019. Such increase was mainly due to (i) the compensation income of approximately HK\$2,386,000 from the insurance company for covering the damage of the works related to the deformation of the supporting falsework which caused damage to the newly built slab on it in Job 5, for an incident which occurred in the year ended 31 March 2017. For the construction of the aforementioned slab, our Group first constructed the temporary supporting falsework. The falsework was used to support the working load, such as the formwork, and the weight of the slab and other structures to be constructed on the falsework. The falsework design was based on engineering calculations and drawings and reviewed and certified by an independent checking engineer. After the falsework was erected and before concreting of the slab began, the independent checking engineer examined the falsework and confirmed the same had been constructed in accordance with the falsework design. The engineer’s representative of the Government also inspected the condition of the formwork before concreting of the slab. Deformation of the falsework was found during concreting of the slab, which involved more than 270 m³ of concrete and the slab structure deformed. Our Group was responsible for carrying out remedial works and had to demolish the slab structure and reconstruct it. Our Group submitted claims included the costs for demolition of the affected structure, cleaning and re-building of the structure to the insurance company via the main contractor, Build King Group, as the project was insured; and (ii) the increase in gain on disposal of property. Our Directors are of the view that the abovementioned incident covered by insurance compensation income would not pose a material impact to our financial performance and our operation.

FINANCIAL INFORMATION

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$19,380,000 for the year ended 31 March 2018 to approximately HK\$41,919,000 for the year ended 31 March 2019. Such increase was mainly due to (i) the listing expenses of approximately HK\$17,941,000 incurred during the year ended 31 March 2019 in relation to the Listing; (ii) the higher staff costs due to increase in administrative staff in the back office during the year ended 31 March 2019; and (iii) the higher motor vehicle expenses and other administrative expenses during the period.

Finance costs

Our finance costs increased from approximately HK\$15,000 for the year ended 31 March 2018 to approximately HK\$234,000 for the year ended 31 March 2019. Such increase was mainly due to the interest of bank loans and bank overdrafts incurred during the year ended 31 March 2019. The bank loans and bank overdrafts was arranged to support our operations during the year ended 31 March 2019 but not in 2018.

Income tax

Our income tax increased by 18.5% from approximately HK\$6,006,000 for the year ended 31 March 2018 to approximately HK\$7,120,000 for the year ended 31 March 2019. The increase in income tax was mainly due to the increase in profit from operation after excluding the listing expenses which were not tax deductible.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by 24.2% from approximately HK\$31,057,000 for the year ended 31 March 2018 to approximately HK\$23,527,000 for the year ended 31 March 2019. Our net profit margin also decreased from 6.4% to 4.4%.

For the year ended 31 March 2018 compared with the year ended 31 March 2017

Revenue

Our revenue decreased by 29.7% from approximately HK\$686,163,000 for the year ended 31 March 2017 to approximately HK\$482,243,000 for the year ended 31 March 2018. The following table summarises the scale of projects we were involved together with the revenue recognised in the respective period as indicated:

Revenue recognised from construction projects	For the year ended 31 March			
	2017		2018	
	Number of projects	HK\$'000	Number of projects	HK\$'000
Above HK\$100,000,000	2	377,230	1	166,365
HK\$10,000,001 to HK\$100,000,000	6	282,488	9	291,820
HK\$5,000,001 to HK\$10,000,000	2	16,375	2	13,462
HK\$1,000,001 to HK\$5,000,000	3	8,781	4	10,177
Below HK\$1,000,001	3	1,289	2	419
	<u>16</u>	<u>686,163</u>	<u>18</u>	<u>482,243</u>

FINANCIAL INFORMATION

During the year ended 31 March 2017, substantial value of works were executed for two projects, namely Job 5 and Job 16, which together contributed approximately HK\$377,230,000 of revenue to our Group, in accordance with the progress of the projects. Number of projects being executed during the year ended 31 March 2018 slightly increased from 16 to 18, but the project which contributed the greatest revenue amounted to only approximately HK\$166,365,000.

Although overall revenue decreased during the year ended 31 March 2018, we undertook more main contractor projects and revenue from main contractor projects increased from approximately HK\$143,403,000 for the year ended 31 March 2017 to approximately HK\$177,658,000 for the year ended 31 March 2018.

Direct costs

Our direct costs decreased from approximately HK\$641,776,000 for the year ended 31 March 2017 to approximately HK\$426,209,000 for the year ended 31 March 2018. Such decrease was generally in line with the decrease in revenue from our construction projects for the same periods. In addition, as discussed in the below paragraph, gross profit margin improved during the year ended 31 March 2018 as a result of a profitable project that the decrease in direct costs was more significant than the decrease in revenue.

Gross profit and gross profit margin

Our gross profit increased by 26.2% from approximately HK\$44,387,000 for the year ended 31 March 2017 to approximately HK\$56,034,000 for the year ended 31 March 2018. Our gross profit margin increased from approximately 6.5% for the year ended 31 March 2017 to approximately 11.6% for the year ended 31 March 2018. Such increase in gross profit margin and gross profit was mainly due to Job 13 which the customer instructed us variations of substantial size with a tight delivery schedule, and the variations resulted in higher gross profit margin for the project according to the bill of quantities of the projects, even without the variations, Job 13 had a higher than average gross profit margin. The higher gross profit was also due to the fact that we undertook and completed substantial amount of construction works for Job 16 during the year ended 31 March 2017, which is a project with large contract sum of over HK\$300 million but at lower profit margin. Job 16 contributed revenue of approximately HK\$266,898,000 for the year ended 31 March 2017 but contributed revenue of only approximately HK\$29,419,000 for the year ended 31 March 2018. Job 16 therefore pulled down the gross profit margin relatively significantly for the year ended 31 March 2017. Due to the large contract sum of Job 16 and the nature of the works which our Group expected we would be able to complete large volume of works within a relatively short period, our Group was willing to bid for the project at a competitive price at a lower project profit margin while achieving a large size of profit.

Other income

Our other income decreased from approximately HK\$737,000 for the year ended 31 March 2017 to approximately HK\$424,000 for the year ended 31 March 2018, mainly due to the decrease in compensation income for the year ended 31 March 2018.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$17,436,000 for the year ended 31 March 2017 to approximately HK\$19,380,000 for the year ended 31 March 2018. Such increase was mainly due to the higher staff costs as a result of (i) the increase in staff salary; and (ii) higher average headcounts during the year to support business growth.

FINANCIAL INFORMATION

Finance costs

Our finance costs increased from approximately HK\$5,000 for the year ended 31 March 2017 to approximately HK\$15,000 for the year ended 31 March 2018 as more finance leases were arranged and hence more interest expenses were incurred. Obligations under finance leases increased from approximately HK\$118,000 as at 31 March 2017 to approximately HK\$162,000 as at 31 March 2018. Our finance costs mainly consist of our obligations under finance leases for machinery and motor vehicle purchase.

Income tax

Our income tax increased by 40.3% from approximately HK\$4,281,000 for the year ended 31 March 2017 to approximately HK\$6,006,000 for the year ended 31 March 2018. The increase in income tax was mainly due to the increase in profit from operation.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 32.7% from approximately HK\$23,402,000 for the year ended 31 March 2017 to approximately HK\$31,057,000 for the year ended 31 March 2018. Our net profit margin also increased from 3.4% to 6.4%.

For the year ended 31 March 2017 compared with the year ended 31 March 2016

Revenue

Our revenue increased by 71.0% from approximately HK\$401,244,000 for the year ended 31 March 2016 to approximately HK\$686,163,000 for the year ended 31 March 2017. The following table summarises the scale of projects we were involved together with the revenue recognised in the respective period as indicated:

Revenue recognised from construction projects	For the year ended 31 March			
	2016		2017	
	Number of projects	HK\$'000	Number of projects	HK\$'000
Above HK\$10,000,000	9	389,625	8	659,718
HK\$5,000,001 to HK\$10,000,000	1	9,347	2	16,375
HK\$1,000,001 to HK\$5,000,000	1	1,604	3	8,781
Below HK\$1,000,001	3	668	3	1,289
	14	401,244	16	686,163
	14	401,244	16	686,163

During the year ended 31 March 2017, revenue increased significantly as we commenced a project, Job 16, with contract sum of over HK\$300 million and recognised approximately HK\$266,898,000 for the year. Another project, Job 5, also contributed approximately HK\$110,332,000 to our Group as revenue.

Direct costs

Our direct costs increased from approximately HK\$367,757,000 for the year ended 31 March 2016 to approximately HK\$641,776,000 for the year ended 31 March 2017. Such increase was generally in line with the increase in revenue from our construction projects for the same periods. As discussed in the below paragraph, the gross profit margin for the year ended 31 March 2017 was lower. The increase in direct costs was more significant than the increase in revenue in the period.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by 32.5% from approximately HK\$33,487,000 for the year ended 31 March 2016 to approximately HK\$44,387,000 for the year ended 31 March 2017 mainly due to the increase in revenue. Our gross profit margin decreased from 8.3% for the year ended 31 March 2016 to 6.5% for the year ended 31 March 2017. Due to the large contract sum of Job 16 and the nature of the works which our Group expected we would be able to complete large volume of works within a relatively short period, our Group was willing to bid for the project at a competitive price at a lower project profit margin while achieving a large size of profit. Job 16 had a lower gross profit margin than average gross profit margin which contributed revenue of approximately HK\$266,898,000 for the year ended 31 March 2017 and hence lowered our gross profit margin for the year.

Other income

Our other income decreased from approximately HK\$936,000 for the year ended 31 March 2016 to approximately HK\$737,000 for the year ended 31 March 2017, mainly due to the decrease in gain on disposal of property, plant and equipment.

Administrative and other operating expenses

Our administrative and other operating expenses decreased from approximately HK\$18,005,000 for the year ended 31 March 2016 to approximately HK\$17,436,000 for the year ended 31 March 2017. Such decrease was mainly due to the lower administrative staff costs as a result of lower average headcounts during the year, although there were more administration staff at the end of the year. Although the number of total staff as at 31 March 2017 increased as compared to that as at 31 March 2016, administrative and other operating expenses did not account for the expenses for certain administrative staff stationed on site, including contract labour officers, on site office assistants and site clerks whose wages were incurred as direct costs.

Finance costs

Our finance costs decreased from approximately HK\$37,000 for the year ended 31 March 2016 to approximately HK\$5,000 for the year ended 31 March 2017. Our finance costs mainly consist our obligations under finance leases for machinery and motor vehicle purchase.

Income tax

Our income tax increased by 19.5% from approximately HK\$3,582,000 for the year ended 31 March 2016 to approximately HK\$4,281,000 for the year ended 31 March 2017. The increase in income tax was mainly due to the increase in profit from operation.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 82.8% from approximately HK\$12,799,000 for the year ended 31 March 2016 to approximately HK\$23,402,000 for the year ended 31 March 2017. Our net profit margin also increased from 3.2% to 3.4%.

FINANCIAL INFORMATION

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations. We have financed our operations through a combination of cash generated from operating activities. Due to the nature of the works, costs are generally incurred upfront before the works are completed and then inspected, certified and settled by our customers. Therefore the cash generation of our Group lagged behind the profitability. For the years ended 31 March 2018 and 2019, Mr. KK Tsui, our Controlling Shareholder and executive Director, advanced shareholder loans to the operating subsidiaries of our Company to finance their operations. As at 31 March 2018, 2019 and 2020, amount due to Mr. KK Tsui amounted to approximately HK\$2,225,000, HK\$18,636,000 and HK\$2,198,000, respectively. Upon completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations and the net proceeds from the issue of new Shares. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

Cash flows

The following table sets forth our Group's cash flows for the periods indicated:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flow before movements					
in working capital	20,199	32,577	41,007	32,393	53,019
Changes in working capital	1,559	(43,023)	(1,769)	(38,994)	7,962
Interest paid and/or tax paid	(112)	(278)	(761)	(15,575)	(10,208)
Net cash generated from/(used in)					
operating activities	21,646	(10,724)	38,477	(22,176)	50,773
Net cash used in investing activities	(2,924)	(2,595)	(1,104)	(14,917)	(9,179)
Net cash (used in)/generated from					
financing activities	(7,246)	(184)	7,868	5,466	(19,873)
Net increase/(decrease) in cash and cash equivalents	11,476	(13,503)	45,241	(31,627)	21,721
Cash and cash equivalents at beginning					
of the year	15,317	26,793	13,290	58,531	26,904
Cash and cash equivalents at the end					
of the year	26,793	13,290	58,531	26,904	48,625

Cash flows generated from/(used in) operating activities

Our cash inflow from operating activities is principally generated from the receipts from the provision of construction services. Our major working capital requirements typically arise from the purchase of construction materials, payments to subcontractors and staff. During the Track Record Period, our net cash flows from operating activities represented profit before tax adjusted for changes in working capital and other non-cash items.

For the year ended 31 March 2020, our net cash generated from operating activities was approximately HK\$50,773,000, as a result of operating cash inflow before movements in working capital of approximately HK\$53,019,000, adjusting for the decrease in working capital of approximately HK\$2,246,000, which was due to (i) decrease in trade receivables of approximately HK\$10,779,000; (ii) increase in other receivables, deposits and prepayment of approximately HK\$9,848,000; (iii) decrease in contract assets of approximately HK\$3,757,000; (iv) decrease in trade and other payables of approximately HK\$3,140,000; and (v) increase in contract liabilities of approximately HK\$6,414,000 and the impact of interest paid of approximately HK\$264,000 and tax paid of approximately HK\$9,944,000.

FINANCIAL INFORMATION

For the year ended 31 March 2019, our net cash used in operating activities was approximately HK\$22,176,000, as a result of operating cash inflow before movements in working capital of approximately HK\$32,393,000, adjusting for the decrease in working capital of approximately HK\$54,569,000, which was due to (i) increase in trade receivables of approximately HK\$35,660,000; (ii) increase in other receivables, deposits and prepayment of approximately HK\$398,000; (iii) increase in contract assets of approximately HK\$16,046,000; (iv) increase in trade and other payables of approximately HK\$27,088,000; and (v) decrease in contract liabilities of approximately HK\$13,978,000 and the impact of interest paid of approximately HK\$157,000 and tax paid of approximately HK\$15,418,000.

For the year ended 31 March 2018, our net cash generated from operating activities was approximately HK\$38,477,000, as a result of operating cash inflow before movements in working capital of approximately HK\$41,007,000. Working capital changes of approximately HK\$2,530,000 were mainly attributable to (i) decrease in trade receivables of approximately HK\$16,685,000; (ii) decrease in other receivables, deposits and prepayment of approximately HK\$835,000; (iii) decrease in amount due from a director of approximately HK\$21,710,000; (iv) increase in contract assets of approximately HK\$17,618,000 (v) decrease in amount due from a related company of approximately HK\$13,000,000; (vi) decrease in trade and other payables of approximately HK\$14,004,000; and (vii) decrease in contract liabilities of approximately HK\$22,377,000 and the impact of tax paid of approximately HK\$761,000.

For the year ended 31 March 2017, our net cash used in operating activities was approximately HK\$10,724,000, as a result of operating cash inflow before movements in working capital of approximately HK\$32,577,000, adjusting for the decrease in working capital of approximately HK\$43,301,000, which was due to (i) increase in trade receivables of approximately HK\$36,163,000; (ii) increase in other receivables, deposits and prepayment of approximately HK\$1,978,000; (iii) increase in amount due from a director of approximately HK\$12,473,000; (iv) increase in contract assets of approximately HK\$17,130,000; (v) increase in amount due from a related company of approximately HK\$13,000,000; (vi) increase in trade and other payables of approximately HK\$29,127,000; and (vii) increase in contract liabilities of approximately HK\$8,594,000 and the impact of tax paid of approximately HK\$278,000.

For the year ended 31 March 2016, our net cash generated from operating activities was approximately HK\$21,646,000, as a result of operating cash inflow before movements in working capital of approximately HK\$20,199,000 adjusting for the increase in working capital of approximately HK\$1,447,000, which was due to (i) increase in trade receivables of approximately HK\$1,903,000; (ii) increase in other receivables, deposits and prepayment of approximately HK\$2,706,000; (iii) increase in amount due from a director of approximately HK\$21,057,000; (iv) decrease in contract assets of approximately HK\$2,917,000; (v) increase in trade and other payables of approximately HK\$20,560,000; and (vi) increase in contract liabilities of approximately HK\$3,748,000 and the impact of tax paid of approximately HK\$112,000.

Cash flows used in investing activities

Our cash flows from investing activities principally include acquisition and sale of property, plant and equipment and interest received.

For the year ended 31 March 2020, net cash used in investing activities was approximately HK\$9,179,000, which was mainly due to (i) the changes in pledged bank deposits of approximately HK\$154,000; (ii) purchase of property, plant and equipment of approximately HK\$10,479,000; (iii) proceeds from disposals of property, plant and equipment of approximately HK\$1,272,000; and (iv) interest received of approximately HK\$182,000.

FINANCIAL INFORMATION

For the year ended 31 March 2019, net cash used in investing activities was approximately HK\$14,917,000, which was mainly due to (i) the increase in pledged bank deposits of approximately HK\$10,184,000; (ii) purchase of property, plant and equipment of approximately HK\$6,461,000; (iii) proceeds from disposal of property, plant and equipment of approximately HK\$1,630,000; and (iv) interest received of approximately HK\$98,000.

For the year ended 31 March 2018, net cash used in investing activities was approximately HK\$1,104,000, which was mainly due to purchase of property, plant and equipment of approximately HK\$1,188,000, and proceeds from disposal of property, plant and equipment of approximately HK\$84,000.

For the year ended 31 March 2017, net cash used in investing activities was approximately HK\$2,595,000 which was due to (i) purchase of property, plant and equipment of approximately HK\$3,272,000; (ii) proceeds from disposal of property, plant and equipment of approximately HK\$792,000; and (iii) change in pledged bank deposits of approximately HK\$115,000.

For the year ended 31 March 2016, net cash used in investing activities was approximately HK\$2,924,000, which was due to (i) purchase of property, plant and equipment of approximately HK\$3,989,000; (ii) proceeds from disposal of property, plant and equipment of approximately HK\$1,066,000; and (iii) change in pledged bank deposits of approximately HK\$1,000.

Cash flows (used in)/generated from financing activities

Our cash outflows from financing activities principally include advance to/repayment from a Director, dividend paid and proceeds from issue of shares and repayment of obligations under finance leases.

For the year ended 31 March 2020, net cash used in financing activities was approximately HK\$19,873,000, which was mainly comprised of the repayment to a Director of approximately HK\$16,438,000, interest payment of approximately HK\$394,000, new bank loans raised of approximately HK\$5,000,000 repayment of lease liabilities of approximately HK\$895,000 and repayment of bank loans of approximately HK\$7,146,000.

For the year ended 31 March 2019, net cash generated from financing activities was approximately HK\$5,466,000, which was mainly due to the advance from a Director of approximately HK\$16,411,000, dividend paid of HK\$28,000,000, proceeds from issue of shares of approximately HK\$4,002,000 and new bank loans raised of approximately HK\$14,000,000 less of interest payment of approximately HK\$60,000, repayment of bank loans of approximately HK\$566,000 and repayment of obligations under finance leases of approximately HK\$321,000.

For the year ended 31 March 2018, net cash generated from financing activities was approximately HK\$7,868,000, which was mainly due to the advance from a Director of approximately HK\$2,225,000, proceeds from issue of shares of approximately HK\$6,090,000 less repayment of obligations under finance leases of approximately HK\$432,000 and interest payment of approximately HK\$15,000.

For the year ended 31 March 2017, net cash used in financing activities was approximately HK\$184,000, which was mainly due to the repayment of obligations under finance leases of approximately HK\$179,000 and interest payment of approximately HK\$5,000.

For the year ended 31 March 2016, net cash used in financing activities was approximately HK\$7,246,000, which was mainly due to dividend paid by Richwell CE to its then shareholder of approximately HK\$10,000,000 and the repayment of obligations under finance leases of approximately HK\$1,909,000, interest payment of approximately HK\$37,000 despite proceeds from issue of shares of approximately HK\$4,700,000.

FINANCIAL INFORMATION

Net current assets/liabilities

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

	As at 31 March					As at 31 July 2020
	2016	2017	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets						
Trade receivables	29,188	64,276	47,591	82,972	72,405	57,415
Other receivables, deposits and prepayment	6,476	8,454	7,619	8,017	17,865	18,534
Contract assets	25,161	42,291	59,909	75,955	72,198	72,512
Amount due from a Director	29,237	21,710	-	-	-	-
Amount due from a related company	-	13,000	-	-	-	11
Pledged bank deposits	1	116	116	10,300	10,454	11,590
Bank balances and cash	<u>26,793</u>	<u>13,290</u>	<u>58,531</u>	<u>34,025</u>	<u>60,374</u>	<u>43,700</u>
	<u>116,856</u>	<u>163,137</u>	<u>173,766</u>	<u>211,269</u>	<u>233,296</u>	<u>203,762</u>
Current liabilities						
Trade and other payables	45,402	74,529	60,525	87,630	84,490	66,992
Contract liabilities	43,155	51,749	29,372	15,394	21,808	19,372
Amount due to a Director	-	-	2,225	18,636	2,198	2,198
Bank overdrafts	-	-	-	7,121	11,749	11,272
Bank loans	-	-	-	13,434	11,288	8,724
Obligations under finance leases	97	118	162	270	-	-
Lease liabilities	-	-	-	-	214	766
Current tax liabilities	<u>3,992</u>	<u>7,995</u>	<u>13,240</u>	<u>4,942</u>	<u>3,930</u>	<u>3,434</u>
	<u>92,646</u>	<u>134,391</u>	<u>105,524</u>	<u>147,427</u>	<u>135,677</u>	<u>112,758</u>
Net current assets	<u>24,210</u>	<u>28,746</u>	<u>68,242</u>	<u>63,842</u>	<u>97,619</u>	<u>91,004</u>

As at 31 March 2016, 2017, 2018, 2019 and 2020 and 31 July 2020, we recorded net current assets of approximately HK\$24,210,000, HK\$28,746,000, HK\$68,242,000, HK\$63,842,000, HK\$97,619,000 and HK\$91,004,000, respectively. From 31 March 2016 to 31 March 2018 and from 31 March 2019 to 31 March 2020, the increase in the net current assets was a result of our business growth. From 31 March 2018 to 31 March 2019, the decrease in the net current assets was mainly due to the payment of an interim dividend of HK\$28,000,000.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Plant and equipment

The following table sets out the respective carrying values of our Group's plant and equipment as at the respective dates as indicated:

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amounts					
As at 31 March 2016	1,507	2,104	–	3,846	7,457
As at 31 March 2017	1,084	1,568	48	3,623	6,323
As at 31 March 2018	624	910	345	2,095	3,974
As at 31 March 2019	1,612	1,699	547	3,963	7,821
As at 31 March 2020	3,994	1,623	2,184	6,331	14,132

During the Track Record Period, we increased plant and equipment by purchasing plant and machinery, which were mainly crane lorry and generators. For details of our purchase and disposal of plant and equipment during the Track Record Period, please refer to Note 15 to the Accountants' Report set out in Appendix I to this prospectus.

Trade and other receivables

Trade receivables

The following table sets out the breakdown of trade receivables as at the dates indicated:

	As at 31 March				
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	29,188	65,351	48,666	84,326	73,226
Less: loss allowance	–	(1,075)	(1,075)	(1,354)	(821)
	<u>29,188</u>	<u>64,276</u>	<u>47,591</u>	<u>82,972</u>	<u>72,405</u>

During the Track Record Period, our trade receivables represented amount receivable from customers for the provision of our services, less any identified impairment losses.

As our business is project-based, our trade receivables are mainly affected by the actual progress of the projects, which affects the value of work done that the customers have certified for us and agreed to pay us.

FINANCIAL INFORMATION

Our trade receivables increased from approximately HK\$29,188,000 as at 31 March 2016 to approximately HK\$64,276,000 as at 31 March 2017. The increase was in line with the increase of revenue as we undertook more projects during the year ended 31 March 2017, resulting in higher balance of trade receivables. As at 31 March 2018, our trade receivables decreased to approximately HK\$47,591,000. Such decrease was in line with the decrease of revenue during the year 31 March 2018, resulting in lower balance of trade receivables. As at 31 March 2019, our trade receivables increased to approximately HK\$82,972,000. Such increase was mainly due to several new projects commenced during the year ended 31 March 2019, including Job 21, Job 22, Job 24, Job 25, Job 27 and Job 28, resulting in a higher balance of trade receivables. As at 31 March 2020, our trade receivables decreased to approximately HK\$72,405,000. Such decrease was mainly due to the decrease in trade receivables aged from 0 to 30 days as a result of actual progress of the projects as certified by our customers close to the end of the year ended 31 March 2020.

Ageing analysis of trade receivables

We generally offer our customers a credit period of 14 to 42 days from the date of billing. The following table sets forth the ageing analysis of our trade receivables, net of allowance for doubtful debts and based on progress payment, as at the end of periods indicated:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	24,689	40,723	26,382	57,231	46,320
31-60 days	4,499	20,010	19,644	22,307	23,376
61-90 days	–	3,543	1,002	3,379	2,709
91-120 days	–	–	288	55	–
Over 120 days	–	–	275	–	–
	<u>29,188</u>	<u>64,276</u>	<u>47,591</u>	<u>82,972</u>	<u>72,405</u>

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the trade receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicating that the balances may not be recoverable. Our management closely reviews the trade receivables and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. As at 31 March 2016, 2017 and 2018, our Group had a provision for loss allowance of approximately nil, HK\$1,075,000 and HK\$1,075,000, which related to a long-due trade receivables balance for a completed project and it took prolonged time between our Group and the customer for agreeing the final account, which is still under way.

FINANCIAL INFORMATION

The following table sets forth the ageing analysis of trade receivables that are past due but not impaired for the respective dates indicated:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired:					
1-30 days	10,406	20,010	26,100	22,307	23,376
31-60 days	–	12,707	1,002	3,379	2,709
61-90 days	–	–	288	55	–
Over 90 days	–	–	275	–	–
	<u>10,406</u>	<u>32,717</u>	<u>27,665</u>	<u>25,741</u>	<u>26,085</u>

Receivables that were past due but not impaired related to a number of independent customers that have good track records with our Group. Our management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. Our Group does not hold any collateral over those trade receivables balances.

As at 31 March 2019 and 2020, the loss allowance increased to approximately HK\$1,354,000 and HK\$821,000, respectively, and the amount increased in accordance with the initial application of HKFRS 9 “Financial Instruments”, comprising impact of initial application of HKFRS 9 and the expected credit losses for the year ended 31 March 2019. For further information regarding to the impairment assessment of trade receivables for the year ended 31 March 2019, please refer to Note 34 to the Accountants’ Report in Appendix I to this prospectus.

As at the Latest Practicable Date, approximately HK\$69,922,000 or 95.5% of our trade receivables before loss allowance as at 31 March 2020 were settled.

Trade receivables’ turnover days

The following table sets out the trade receivables’ turnover days for the periods indicated:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
Trade receivables’ turnover days	25.8	24.9	42.3	45.0	46.5

Note: Trade receivables’ turnover days for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 are equal to the average trade receivables, net of loss allowance, divided by revenue and multiplied by 366, 365, 365, 365 and 366 days, respectively. Average trade receivables are the average of trade receivables at the beginning of the year and trade receivables at the end of the year.

FINANCIAL INFORMATION

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, trade receivables' turnover days were approximately 25.8 days, 24.9 days, 42.3 days, 45.0 days and 46.5 days, respectively. The increase from approximately 25.8 days for the year ended 31 March 2016 to approximately 42.3 days for the year ended 31 March 2018 and further increase to approximately 45.0 days for the year ended 31 March 2019 were mainly due to the fluctuation of the amounts settled by different customers to us as at the respective year end dates due to the different settlement practices of different customers as well as the different credit periods granted/agreed by us. As our business operates on a non-recurring and project-by-project basis, and the progress of our works contracts at a given time would affect our trade receivables balances as at the respective year end dates and thus the trade receivables' turnover days during the Track Record Period.

Trade receivables' and contract assets turnover days

The following table sets out the trade receivables' and contract assets turnover days for the periods indicated:

		For the year ended 31 March			
	2016	2017	2018	2019	2020
Trade receivables' and contract assets turnover days	50.0	42.8	81.0	91.8	91.2

Note: Trade receivables' and contract assets turnover days for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 are equal to the average trade receivables, net of loss allowance, and contract assets divided by revenue and multiplied by 366, 365, 365, 365 and 366 days, respectively. Average trade receivables and contract assets are the average of trade receivables and contract assets at the beginning of the year and trade receivables and contract assets at the end of the year.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, trade receivables' and contract assets turnover days were approximately 50.0 days, 42.8 days, 81.0 days, 91.8 days and 91.2 days, respectively. The increase from approximately 50.0 days for the year ended 31 March 2016 to approximately 91.2 days for the year ended 31 March 2020, the fluctuation was mainly due to the amounts settled by different customers to us as at the respective year end or period end dates due to the different settlement practices of different customers as well as the different credit periods granted/agreed by us. As our business operates on a non-recurring and project-by-project basis, the progress of our works contracts at a given time would affect our trade receivables and contract assets balances as at the respective year end dates and thus the trade receivables' and contract assets turnover days during the Track Record Period. The trade receivables' and contract assets turnover days increased from approximately 42.8 days for the year ended 31 March 2017 to approximately 81.0 days for the year ended 31 March 2018, mainly due to the higher amount of contract assets as at 31 March 2018 resulted from several projects, including Job 9 and 13 which had a large portion of works completed but not yet billed to our respective customer. The trade receivables' and contract assets turnover days further increased to approximately 91.8 days for the year ended 31 March 2019. Such increase was mainly due to the higher amount of contract assets as at 31 March 2019 resulted from the increase in the portion of works completed by our Group but not yet billed to our customers for several projects, including Job 14, Job 16 and Job 21.

FINANCIAL INFORMATION

Other receivables, deposits and prepayment

The following table sets out the breakdown of other receivables, deposits and prepayment as at the dates indicated:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other receivables	3,422	6,421	4,958	3,794	11,171
Other deposits	1,855	325	643	856	2,496
Prepayment	284	429	416	1,736	2,453
Utility deposits	915	1,279	1,602	1,631	1,745
	<u>6,476</u>	<u>8,454</u>	<u>7,619</u>	<u>8,017</u>	<u>17,865</u>

Deposits and prepayment represented prepayments of expenses, rental deposits and deposits paid to suppliers. As at 31 March 2016, 2017, 2018, 2019 and 2020, our deposits and prepayment amounted to approximately HK\$3,054,000, HK\$2,033,000, HK\$2,661,000, HK\$4,223,000 and HK\$6,694,000, respectively. Our other deposits increased from approximately HK\$856,000 as at 31 March 2019 to approximately HK\$2,496,000 as at 31 March 2020. Such increase was mainly due to the renovation deposit for the expansion of our workshop in Tsuen Wan.

Other receivables mainly consist of (i) advance to be received from customers for alleviating our Group's working capital need during the time taken for the payment application, and (ii) advanced payment to subcontractors for mobilising their labour to undertake the works. Our Directors consider that it is a common practice of the industry for contractors to receive a payment from customers under certain circumstances such as for alleviating the contractor's working capital need during the time taken for the progress survey and payment application. As at 31 March 2020, our other receivables consisted of the one-off special advance, as one of the Government's measures to help contractors minimise cash flow impacts amid COVID-19, ascertained but yet to be received from customers. The advance was agreed by the customers in supplemental agreements and certified in interim payment certificates. As there is a timing difference between the issue date of the interim payment certificate and payment release date, the certified but yet to be received amount is recorded as other receivables, our Group debited our other receivables account as current assets and credited contract liabilities account as current liabilities as our Group considered that these amounts were expected to be received within normal operating cycle. As at 31 March 2016, 2017, 2018, 2019 and 2020, our other receivables amounted to approximately HK\$3,422,000, HK\$6,421,000, HK\$4,958,000, HK\$3,794,000 and HK\$11,171,000, respectively.

Our other receivables increased from approximately HK\$3,794,000 as at 31 March 2019 to approximately HK\$11,171,000 as at 31 March 2020. Such increase was mainly due to (i) the one-off special advance, as one of the Government's measures to help contractors minimise cash flow impacts amid COVID-19, ascertained but yet to be received as at 31 March 2020 of approximately HK\$4,453,000 for Job 18, Job 27 and Job 30. The amounts were subsequently received in April and May 2020 and will be repaid to the customers by instalments or settled against interim or final payments upon customers' approval; and (ii) increase in the amount due from joint venture of approximately HK\$3,770,000, of which approximately HK\$2,095,000 was the advance to joint ventures for daily operations and approximately HK\$1,675,000 was the management fee receivable from a joint venture.

As at the Latest Practicable Date, approximately HK\$9,112,000 or 81.6% of our other receivables as at 31 March 2020 had been subsequently settled.

FINANCIAL INFORMATION

Contract assets/contract liabilities

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

Contract liabilities are recognised when the customer pays consideration before our Group recognises the related revenue. A contract liability would also be recognised if our Group has an unconditional right to receive consideration before our Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	25,161	42,291	59,909	75,955	72,198
Contract liabilities	<u>43,155</u>	<u>51,749</u>	<u>29,372</u>	<u>15,394</u>	<u>21,808</u>

The contract liabilities were more commonly incurred in main contractor projects than in subcontractor projects. In main contractor projects, it was our general tender strategy to front load the schedule of values in the beginning of the project such that our Group could receive larger amount of payment for the work done of the early stages of a project such that the contract liabilities were generally recorded in the late early stage of the main contractor projects. Generally, the main contractor project had its contract liabilities gradually utilised as it progressed and then had a status of contract assets. Therefore, the main contractor projects' contract liabilities showed a decreasing value throughout the years ended 31 March 2016 to 2019. As at 31 March 2016, 2017, 2018, 2019 and 2020, 71.6%, 38.2%, 46.8%, 55.5% and 73.2% of the contract liabilities were attributable to main contractor projects, respectively. For subcontractor projects, relatively fewer projects had recorded contract liabilities; but as at 31 March 2017, there were two projects, Job 10 and Job 16, that had significantly higher contract liabilities as (i) Job 10 had a higher gross profit margin and our Group obtained progress certificates for the construction of more complex and profitable structures during the year ended 31 March 2017; and (ii) our Group completed the relatively less complicated structures and obtained customers certificates for Job 16 during the year ended 31 March 2017, which had a large contract sum and relatively short project period that also required significant working capital. Job 16's contract liabilities were almost utilised during the year ended 31 March 2018 and turned into contract assets as at 31 March 2019. As at 31 March 2019, the decrease in contract liabilities mainly because (i) most of the contract liabilities for main contractor projects were utilised; and (ii) the contract sums of the main contractor projects newly awarded were relatively small which led to a lower upfront payment. As at 31 March 2020, the increase in contract liabilities was mainly due to the receipt of special advance for several projects, as one of the Government's measures to help contractors minimise the impact of COVID-19 on cash flow.

The contract assets are normally affected by (i) the amount of retention receivables (generally at certain percentage of each progress payment received, subject to a ceiling) in accordance with the number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (ii) the size and number of contract works that the relevant services were completed but yet to be certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

FINANCIAL INFORMATION

Our Group's contract assets are analysed as follows:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention receivables	16,982	20,170	24,337	20,901	24,051
Others (<i>Note</i>)	<u>8,179</u>	<u>22,121</u>	<u>35,572</u>	<u>55,054</u>	<u>48,147</u>
	<u><u>25,161</u></u>	<u><u>42,291</u></u>	<u><u>59,909</u></u>	<u><u>75,955</u></u>	<u><u>72,198</u></u>

Note: It represents the revenue not yet been billed to our customers which our Group has completed the relevant services under such contracts but yet to be certified by architects, surveyors or other representatives appointed by our customers.

As at 31 March 2016, 2017, 2018, 2019 and 2020, our contract assets amounted to approximately HK\$25,161,000, HK\$42,291,000, HK\$59,909,000, HK\$75,955,000 and HK\$72,198,000, respectively, of which approximately HK\$16,982,000, HK\$20,170,000, HK\$24,337,000, HK\$20,901,000 and HK\$24,051,000, was retention receivables of the respective years. Throughout the Track Record Period, the contracts that had a higher contract sum usually generate a higher contract assets balance. Our contract assets increased from approximately HK\$42,291,000 as at 31 March 2017 to approximately HK\$59,909,000 as at 31 March 2018, mainly attributable to a large portion of works completed by our Group but not yet billed to our customer for several projects, including Job 9 and Job 13. A relatively high amount of contract assets for Job 9 and Job 13 was recorded as substantial works were completed during the financial year end and the respective customers had not issued the progress certifications during the financial year. As at 31 March 2019, our contract assets increased to approximately HK\$75,955,000, due to the increase in the portion of the works completed by our Group but not yet billed to our customer for several projects, including Job 14, Job 16 and Job 21. A relatively high amount of contract assets for Job 14 and Job 21 was recorded as substantial works were completed near the financial year end but the progress certificates were issued by our customers after the year end date and we completed variation orders for Job 16 near the financial year end but the final payment certificate was still under negotiation with the customer. For Job 16, the contract assets represented the revenue not yet billed to our customer as at 31 March 2019 had been fully billed as at 31 March 2020. Due to the nature of our works, costs are generally incurred upfront before the works are completed and then inspected, certified and paid by our customers. As at a year end date or period end date, contracts assets were recorded when completed works not yet certified by the customers for which revenue was recognised. Any amount previously recognised as contract asset is reclassified as trade receivables at the point when it becomes unconditional and is billed to the customer. The contract assets showed an increasing trend from the year ended 31 March 2016 to the year ended 31 March 2019, from approximately HK\$25,161,000 to approximately HK\$75,955,000, then decreased to approximately HK\$72,198,000 as at 31 March 2020. Our Directors confirm that none of our projects during the Track Record Period had unchanged contract assets for unreasonably prolonged period. Given that (i) all of the contract assets as at 31 March 2019 have been subsequently certified and billed by the customers as at the Latest Practicable Date; (ii) no significant size of trade receivables were long overdue as at 31 March 2019 and 2020; (iii) contract assets representing revenue not yet billed to customers were distributed between a number of projects, of which the largest amount attributable to a single project was approximately HK\$12,774,000 and HK\$12,552,000 as at 31 March 2019 and 2020, respectively, which our Directors are of the view that they were not unduly concentrated; and (iv) the contract assets representing the revenue not yet billed to our customers decreased from approximately HK\$55,054,000 as at 31 March 2019 to HK\$48,147,000 as at 31 March 2020, our Directors consider that the issue relating to the recoverability of contract assets relating to revenue not yet been billed should not be material.

FINANCIAL INFORMATION

Our contract assets decreased from approximately HK\$75,955,000 as at 31 March 2019 to approximately HK\$72,198,000 as at 31 March 2020, due to the decrease in the portion of the works completed by our Group but not yet billed to our customers, although retention receivables increased by approximately HK\$3,150,000 during the year ended 31 March 2020. As at 31 March 2020, the unbilled revenue portion of the contract assets amounted to approximately HK\$48,147,000. The balance in the unbilled revenue portion of the contract assets was mainly contributed by several projects, including Job 24, Job 26, Job 30, Job 31 and Job 32. A relatively large amount of contract assets for Job 24, Job 26, Job 30, Job 31 and Job 32 were recorded as substantial works were completed during the year ended 31 March 2020. The following table sets out the top ten projects by amount of the works completed by our Group but not yet billed to our customers as at 31 March 2020:

	Contract assets for the portion of the works completed by our Group but not yet billed to our customers as at 31 March 2020 HK\$'000	Subsequently billed as at the Latest Practicable Date HK\$'000	Not yet billed as at the Latest Practicable Date HK\$'000	Subsequently settled as at the Latest Practicable Date HK\$'000
Job 26	11,490	6,675	4,815	2,561
Job 31	7,371	7,371	–	7,371
Job 32	6,735	1,161	5,574	513
Job 24	6,140	6,140	–	4,190
Job 30	5,827	5,827	–	1,469
Job 18	3,880	3,880	–	3,880
Job 21	3,085	3,085	–	2,013
Job 28	2,484	2,484	–	2,271
Job 22	633	633	–	–
Job 9	268	268	–	268
Others	234	–	234	–
	<u>48,147</u>	<u>37,524</u>	<u>10,623</u>	<u>24,536</u>

For Job 26 which is a priced contract with activity schedules where interim payments are made when activity schedules are completed, the relatively high amount of contract assets as at 31 March 2020 was mainly due to the costs incurred in modification of cycle track, modification works of footbridge and landscaping works of the site, but the progress of works not having reached the completion of activity schedule for entitlement of interim payments. We expect that the related activity schedules will be completed in October 2020. For Job 30, Job 31 and Job 32, the relatively high amount of contract assets as at 31 March 2020 was mainly due to their relatively early stage as there were commenced during the year ended 31 March 2020 and normally significant initial costs were incurred at the early stage of the projects for undertaking the high value structural works. The relatively high amount of contract assets for Job 24 was recorded as substantial works were completed during the financial year end and the respective customer had not issued the related progress certifications during the financial year.

FINANCIAL INFORMATION

As at 31 March 2019 and 2020, the aggregate contract assets for the projects which were awarded by either China State, Customer E and Customer L, respectively, each of which being a subject of the Development Bureau's regulatory action in the press release issued in October 2018, amounted to approximately HK\$17,319,000 and HK\$16,821,000, respectively. As at the Latest Practicable Date, approximately HK\$11,016,000 or 65.5% of our contract assets for the portion of the works completed by our Group but not yet billed to our customers as at 31 March 2020 attributable to China State, Customer E and Customer L had been subsequently billed. As at 31 March 2020, the aggregate contract assets for the portion of the retention receivables for China State, Customer E and Customer L amounted to approximately HK\$10,438,000 which approximately HK\$2,835,000 and HK\$7,603,000 were expected to be settled within one year and one to two years, respectively. As at 31 March 2019 and 2020, the aggregate trade receivables due from China State, Customer E and Customer L amounted to approximately HK\$20,380,000 and HK\$26,931,000, respectively. As at the Latest Practicable Date, approximately HK\$26,176,000 or 97.2% of our trade receivables as at 31 March 2020 due from China State, Customer E and Customer L were settled. Since the press release of the regulating action, our Group was able to obtain progress certificates from China State, Customer E and Customer L as well as receive progress payments, and was further awarded new projects from China State and Customer L. In view of the above, our Directors are of the view that the impact of the regulating action to our recoverability of contract assets and trade receivables attributable from these customers is not material.

The following table sets out the ageing analysis of our contract assets for the portion of the works completed by our Group but not yet billed to our customers as at 31 March 2020:

	As at 31 March 2020 HK\$'000
0-30 days	16,679
31-60 days	11,848
61-90 days	10,920
Over 90 days	8,700
	48,147

As at the Latest Practicable Date, approximately HK\$37,524,000 or 77.9% of our contract assets for the portion of the works completed by our Group but not yet billed to our customers as at 31 March 2020 had been subsequently billed of which approximately HK\$24,536,000 or 65.4% had been settled.

As at the Latest Practicable Date, Job 26 had a relatively large amount of contracts assets as at 31 March 2020 that had yet to be billed. This is because progress as at 31 March 2020 had not fulfilled all the requirements of the activity schedules that can enable our Group to apply for interim payments. These related activity schedules are expected to be completed in October 2020 and then our Group will apply for interim payments. As Job 26 is expected to be completed in December 2020, our Directors expect that the amount of work not yet billed to customer as at 31 March 2020 will be billed by November 2020 and settled by December 2020.

As at the Latest Practicable Date, Job 32 which also had a significant amount of contract assets as at 31 March 2020 that had yet to be billed. This is because volatility of COVID-19 after the financial year end reduced face-to-face meetings between our Group and the customers and the negotiations on progress certification slowed down. The applications for certification of the works completed for the project had been submitted to the customers and our Directors expect that such amounts will be billed in progress and before November 2020 and associated trade receivables will be settled by December 2020.

As at 31 March 2020, our contract assets for the portion of the retention receivables amounted to approximately HK\$24,051,000 and approximately 35.4%, 64.6% and nil were expected to be settled within one year, one to two years and two to five years, respectively.

FINANCIAL INFORMATION

Pledged bank deposits

Pledged bank deposits represent deposit pledged to a bank to secure banking facilities granted to a partner of joint operation of our Group for a term loan facility not exceeding HK\$25,000,000 and to secure the Group's certain bank facilities. As at 31 March 2016, 2017, 2018, 2019 and 2020, our pledged bank deposits amounted to approximately HK\$1,000, HK\$116,000, HK\$116,000, HK\$10,300,000 and HK\$10,454,000, respectively.

Trade and other payables

The following table sets out the breakdown of trade and other payables as at the dates indicated:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	23,149	37,534	23,175	45,646	37,816
Retention payables	9,727	15,234	16,396	19,626	22,909
Accruals and other payables	<u>12,526</u>	<u>21,761</u>	<u>20,954</u>	<u>22,358</u>	<u>23,765</u>
	<u>45,402</u>	<u>74,529</u>	<u>60,525</u>	<u>87,630</u>	<u>84,490</u>

Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to suppliers and subcontractors. We generally receive credit terms of 30 to 60 days from our suppliers and subcontractors. The following table sets out the ageing analysis of our trade payables as at each reporting date based on the invoice dates:

	As at 31 March				
	2016	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	13,061	23,136	18,072	29,318	36,012
31-60 days	5,577	7,789	518	12,565	487
61-90 days	1,914	1,322	1,723	1,013	685
Over 90 days	<u>2,597</u>	<u>5,287</u>	<u>2,862</u>	<u>2,750</u>	<u>632</u>
	<u>23,149</u>	<u>37,534</u>	<u>23,175</u>	<u>45,646</u>	<u>37,816</u>

As at 31 March 2016, 2017, 2018, 2019 and 2020, our trade payables amounted to approximately HK\$23,149,000, HK\$37,534,000, HK\$23,175,000, HK\$45,646,000 and HK\$37,816,000, respectively. Our trade payables increased from approximately HK\$23,149,000 as at 31 March 2016 to approximately HK\$37,534,000 as at 31 March 2017. Such increase was mainly due to the relatively higher subcontracting charges as the subcontractors usually offer a longer credit period than material suppliers and completion of some projects near the end of the year ended 31 March 2017 that resulted in more subcontractors' work done. As at 31 March 2018, trade payables decreased to approximately HK\$23,175,000 due to the lower subcontracting charges and costs of construction materials incurred during the year ended 31 March 2018. As at 31 March 2019, trade payables increased to approximately HK\$45,646,000 due to commencement of several projects during the year ended 31 March 2019, including Job 21, Job 25, Job 26 and Job 28, were in the early stage near the financial year end and normally at the beginning of a project, it would take some time to process the payment applications from our subcontractors and verify the work done by them.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately HK\$35,146,000 or 92.9% of our trade payables as at 31 March 2020 were settled.

Trade payables' turnover days

The following table sets out the payables' turnover days for the periods indicated:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
Trade payables' turnover days	17.0	17.3	26.0	27.2	28.6

Note: Trade payables' turnover days for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 are equal to the average trade payables divided by direct costs and multiplied by 366, 365, 365, 365 and 366 days, respectively. Average trade payables are the average of trade payables at the beginning of the year and trade payables at the end of the year.

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, trade payables' turnover days were approximately 17.0 days, 17.3 days, 26.0 days, 27.2 days and 28.6 days, respectively. For the year ended 31 March 2018, our trade payables' turnover days increased to 26.0 days, mainly due to the relatively higher subcontracting charges as subcontractors in general offered a longer credit period than the material suppliers. For the years ended 31 March 2019 and 2020, trade payables' turnover days increased slightly due to accumulated trade payables near the year end which caused higher trade payables balance. Our Directors considered that we had stable relationship with our suppliers and subcontractors and confirmed that we had no material disputes with our suppliers and subcontractors during the Track Record Period.

Accruals and other payables

As at 31 March 2016, 2017, 2018, 2019 and 2020, accruals and other payables amounted to approximately HK\$12,526,000, HK\$21,761,000, HK\$20,954,000, HK\$22,358,000 and HK\$23,765,000. Such amount mainly included accrued employee benefit expenses and accrued subcontracting charges.

Retention payables

Retention payables represent the retention we withheld from the progress payments to our subcontractors, as a similar practice that our customers withheld retention money from our Group. The retention money we withhold from subcontractors is usually between 1% and 10% of the progress payment we pay to them, subject to a cap of 10% of the subcontract sum. The release of the retention money to our subcontractors will be subject to our receipt of the corresponding payment of retention money from our customer. As at 31 March 2016, 2017, 2018, 2019 and 2020, retention payables amounted to approximately HK\$9,727,000, HK\$15,234,000, HK\$16,396,000, HK\$19,626,000 and HK\$22,909,000, respectively.

RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

Please refer to Note 32 of the Accountants' Report set out in Appendix I to this prospectus and below are the details of our related party transactions during the Track Record Period. Our Directors confirm that all such transactions were conducted on an arm's length basis and on normal commercial terms.

FINANCIAL INFORMATION

Rental expenses paid to Fame Most Limited (“Fame Most”)

Richwell Engineering rented a workshop and related fixtures in Tsuen Wan from Fame Most, the landlord, during the Track Record Period. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the rental payable to Fame Most amounted to approximately HK\$780,000, HK\$801,000, HK\$802,000, HK\$588,000 and HK\$1,152,000, respectively. According to an independent property valuer engaged by us, the rental payable to Fame Most in relation to the workshop above was fair to our Group. The rental of our office and storeroom from Fame Most continued after the Track Record Period and is expected to continue after the Listing, which will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules. Please also refer to the section headed “Connected Transaction” in this prospectus.

INDEBTEDNESS

The table below sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 March					As at
	2016	2017	2018	2019	2020	31 July 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Unsecured and unguaranteed:						
– Amount due to a Director	–	–	2,225	18,636	2,198	2,198
– Lease liabilities	–	–	–	–	214	1,272
Secured and guaranteed:						
– Obligations under finance leases	97	118	162	421	–	–
– Bank overdrafts	–	–	–	7,121	11,749	11,272
– Bank loans	–	–	–	13,434	11,288	8,724
Total	97	118	2,387	39,612	25,449	23,466

As at 31 March 2016, 2017, 2018, 2019 and 2020 and 31 July 2020, our Group had bank loans, bank overdrafts, obligations under finance leases and amount due to a Director in aggregate of approximately HK\$97,000, HK\$118,000, HK\$2,387,000, HK\$39,612,000, HK\$25,449,000 and HK\$23,466,000, respectively, all of which were denominated in Hong Kong Dollars.

Amounts due from/to a Director

Set out below are the balances due from/to our Director as at each reporting date:

	As at 31 March					As at
	2016	2017	2018	2019	2020	31 July 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Amount due from a Director	29,237	21,710	–	–	–	–
Amount due to a Director	–	–	2,225	18,636	2,198	2,198

These amounts are non-trade nature, unsecured, unguaranteed, interest-free and repayable on demand.

FINANCIAL INFORMATION

For the year ended 31 March 2017, members of our Group declared dividends of HK\$20,000,000, which Mr. KK Tsui as the Controller Shareholder was entitled and was set off the amount due from Mr. KK Tsui to our Group in the same year. During the years ended 31 March 2018, 2019 and 2020, dividends of nil, HK\$28,000,000 and nil were declared to Mr. KK Tsui and were paid subsequently. Such dividends were not related to the amounts due from him or related companies controlled by him.

In November 2019, Mr. KK Tsui, the Controlling Shareholder advanced an aggregate amount of HK\$2,200,000 to Richwell Engineering in order to make up the shortfall in working capital for undertaking the contract to be awarded by the Government, i.e. Job 33.

Lease liabilities

		As at 31 March				As at 31 July
	2016	2017	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(unaudited)
Analysed for reporting purposes as:						
Current liabilities	-	-	-	-	214	766
Non-current liabilities	-	-	-	-	-	506
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>506</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>1,272</u>

Our Group leases certain properties as office and workshop. The incremental borrowing rates applied ranged at 3.90% per annum. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

Obligations under finance leases

Our Group purchased certain plant and equipment under finance leases during the Track Record Period. As at 31 March 2016, 2017, 2018 and 2019 and 2020 and 31 July 2020, our Group had outstanding finance leases as follows:

		As at 31 March				As at 31 July
	2016	2017	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(unaudited)
Within one year	97	118	162	270	-	-
After one year but within two years	-	-	-	112	-	-
After two years but within five years	-	-	-	39	-	-
	<u>97</u>	<u>118</u>	<u>162</u>	<u>421</u>	<u>-</u>	<u>-</u>

FINANCIAL INFORMATION

All of our finance leases were denominated in Hong Kong dollars and the interest rates of our obligations under finance leases as at 31 March 2016, 2017, 2018 and 2019 are fixed at the contract date of 1.95%, 2%, 3.25% and ranging from 2.5% to 3.5% per annum, respectively. The obligations under finance leases were secured by the lessor's charge over our machinery and construction equipment and motor vehicles and guaranteed by the personal guarantee provided by Mr. KK Tsui, which will be released and replaced by the corporate guarantee of our Company upon Listing. For details of our obligations under finance leases, please refer to Note 24 to the Accountants' Report set out in Appendix I to this prospectus.

Bank overdrafts

As at 31 March 2019 and 2020 and 31 July 2020, our Group had bank overdrafts facilities of approximately HK\$7,121,000, HK\$11,749,000 and HK\$11,272,000 to finance our working capital requirement of our operations and the facilities carry a variable market rates between overnight HIBOR, 2.25% per annum over 1 month HIBOR and 0.5% below best leading rate and are (i) secured by an unlimited personal guarantee provided by Mr. KK Tsui; and (ii) pledged by bank deposit with an amount of not less than HK\$8,000,000, together with all interest accrued thereon. All of the personal guarantees provided by Mr. KK Tsui will be released or replaced by corporate guarantees provided by our Company upon Listing. As at 31 July 2020, unutilised banking facilities amounted to approximately HK\$17,460,000.

Bank loans

As at 31 March 2019 and 2020 and 31 July 2020, our Group had bank loan of approximately HK\$13,434,000, HK\$11,288,000 and HK\$8,724,000, respectively, carrying fixed interest rate of 3.63%, 3.63% to 4.0% and 4.0%, respectively per annum and are secured by an unlimited personal guarantee provided by Mr. KK Tsui. The personal guarantee provided by Mr. KK Tsui will be released or replaced by a corporate guarantee provided by our Company upon Listing.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, our Directors confirm that we had not entered into any off-balance sheet arrangements.

COMMITMENTS

Operating lease commitments

We leased certain property under non-cancellable operating lease arrangements for a term of one to three years. The following table sets forth our commitments for future minimum lease payments as at the dates indicated:

	2016	As at 31 March		2019	2020	As at 31 July 2020
	HK\$'000	2017	2018	HK\$'000	HK\$'000	HK\$'000
		HK\$'000	HK\$'000			(unaudited)
Within one year	840	861	2,622	993	963	1,305
In the second to fifth years inclusive	<u>180</u>	<u>645</u>	<u>511</u>	<u>43</u>	<u>-</u>	<u>-</u>
	<u>1,020</u>	<u>1,506</u>	<u>3,133</u>	<u>1,036</u>	<u>963</u>	<u>1,305</u>

FINANCIAL INFORMATION

Capital commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment. As at 31 March 2016, 2017, 2018, 2019 and 2020 and 31 July 2020, we had capital commitments contracted in respect of the acquisition of property, plant and equipment amounted to approximately nil, nil, nil, nil, HK\$4,018,000 and HK\$4,278,000, respectively.

Except for the contractual obligations set out in the paragraphs headed “Indebtedness” and “Commitments” in this section as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the periods indicated:

	For the year ended 31 March				
	2016	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures					
Plant and equipment	1,352	443	200	1,519	3,698
Furniture and fixtures	1,185	642	376	1,382	584
Leasehold improvements	–	64	417	430	1,989
Motor vehicles	<u>1,952</u>	<u>2,323</u>	<u>670</u>	<u>3,710</u>	<u>4,208</u>
	<u>4,489</u>	<u>3,472</u>	<u>1,663</u>	<u>7,041</u>	<u>10,479</u>

Our capital expenditures during the Track Record Period principally consisted of plant and equipment, which are mainly machinery and vehicles used in construction sites or for transportation. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we incurred capital expenditures of approximately HK\$4,489,000, HK\$3,472,000, HK\$1,663,000, HK\$7,041,000 and HK\$10,479,000, respectively.

CONTINGENT LIABILITIES

During the Track Record Period, we have been involved in a number of claims, litigations and potential claims, details of which are disclosed in the section headed “Business – Litigation and potential claims” in this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position or results of operations. As at the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial position or results of operations.

FINANCIAL INFORMATION

As at 31 March 2016, 2017, 2018, 2019 and 2020, we did not have any significant contingent liabilities.

WORKING CAPITAL SUFFICIENCY

Taking into account our Group's existing balance of cash and cash equivalents, cash flows from operation and estimated net proceeds from the Share Offer, our Directors are of the opinion that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The following set out our key financial ratios during the Track Record Period:

	As at/For the year ended 31 March				
	2016	2017	2018	2019	2020
Current ratio ⁽¹⁾	1.3	1.2	1.6	1.4	1.7
Quick ratio ⁽²⁾	1.3	1.2	1.6	1.4	1.7
Gearing ratio ⁽³⁾	0.3%	0.3%	0.2%	29.3%	20.6%
Debt to equity ratio ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A
Return on equity ⁽⁵⁾	40.4%	66.7%	43.0%	32.9%	36.1%
Return on total assets ⁽⁶⁾	10.3%	13.8%	17.5%	10.7%	16.3%
Interest coverage ⁽⁷⁾	443.7 times	5,537.6 times	2,471.9 times	132.0 times	76.0 times

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases and borrowings) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases and borrowings) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity is profit for the year divided by total equity and multiplied by 100%.
6. Return on total assets is profit for the year divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and income tax divided by finance costs.

FINANCIAL INFORMATION

Current ratio and quick ratio

As our Group did not hold any inventory during the Track Record Period, the current ratio of our Group is identical to the quick ratio. Our current ratio slightly decreased from 1.3 times as at 31 March 2016 to approximately 1.2 times as at 31 March 2017, and it increased to approximately 1.6 times as at 31 March 2018. Such increase was mainly due to the increase in our working capital as a result of our profitable operations during the year. Our current ratio decreased to approximately 1.4 times as at 31 March 2019 mainly due to the dividends paid of approximately HK\$28,000,000 and the new bank loan of approximately HK\$13,434,000 and bank overdrafts of approximately HK\$7,121,000 during the year. The current ratio increased to 1.7 times as at 31 March 2020 due to the increase of bank balances and cash.

Gearing ratio

During the Track Record Period, as we did not place material reliance on borrowings to finance our operations, we have recorded relatively low gearing ratio of approximately 0.3%, 0.3%, 0.2%, 29.3% and 20.6% as at 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The increase in gearing ratio from 31 March 2018 to 31 March 2019 was mainly due to the new bank loan of approximately HK\$13,434,000 and bank overdrafts of approximately HK\$7,121,000 during the year. Our gearing ratio decreased to approximately 20.6% as at 31 March 2020, which was mainly due to the increase in total equity resulted from our business growth during the year.

Debt to equity ratio

During the Track Record Period, as we did not place material reliance on borrowings to finance our operations, we had net cash position and the debt to equity ratio as at these dates was not available.

Return on equity

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our return on equity was approximately 40.4%, 66.7%, 43.0%, 32.9% and 36.1%, respectively. The increase in our return on equity during the year ended 31 March 2017 was mainly attributable to the increase in net profit which was mainly resulted from the increase in revenue. During the year ended 31 March 2018, the decrease in our Group's return on equity was mainly due to the increase in the total equity resulting from the profit generated throughout the period. For the year ended 31 March 2019, our return on equity further decreased to approximately 32.9%, mainly due to the decrease in profit for the period resulting from the listing expenses of approximately HK\$17,941,000 incurred for the period. For the year ended 31 March 2020, our return on equity increased to approximately 36.1%, mainly due to increase in net profit resulting from increase in revenue and the decrease in the listing expenses for the year.

Return on total assets

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our return on total assets was approximately 10.3%, 13.8%, 17.5%, 10.7% and 16.3%, respectively. The increase in our return on equity during the year ended 31 March 2017 was mainly attributable to the increase in net profit which mainly resulted from the increase in revenue. During the year ended 31 March 2018, our Group's return on total assets remained relatively stable at approximately 17.5%. For the year ended 31 March 2019, our return on total assets decreased to approximately 10.7%, mainly due to the increase in total assets resulting from profits of prior years and the decrease in profit for the year resulting from the listing expenses of approximately HK\$17,941,000 incurred for the year. For the year ended 31 March 2020, our return on total assets increased to approximately 16.3%, mainly due to the increase in net profit resulting from increase in revenue and decrease in the listing expenses for the year.

FINANCIAL INFORMATION

Interest coverage

During the Track Record Period, as we generally financed our operations through our cash generated from operating activities, we did not incur significant finance costs and recorded relatively high interest coverage ratio of approximately 443.7 times, 5,537.6 times, 2,471.9 times, 132.0 times and 76.0 times for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively. For the year ended 31 March 2019, the decrease in interest coverage was mainly due to the increase in finance costs resulting from the interest in the new bank borrowings and the decrease in the profit for the period resulting from the listing expenses of approximately HK\$17,941,000 incurred for the period. For the year ended 31 March 2020, our interest coverage was further decreased to approximately 76.0 times, mainly due to the increase in interest payment for the new bank borrowings.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group's activities expose ourselves to a variety of financial risks, including credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

Market risk

(i) *Currency risk*

During the Track Record Period, the majority of our Group's transactions and balances as at and during the Track Record Period were denominated in Hong Kong Dollars. Our Directors consider that the currency risk is not significant and our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Cash flow interest rate risk*

Our Group is mainly exposed to cash flow interest rate risk related primarily to variable-rate bank balances and bank overdrafts. Our Group currently does not have an interest rate hedging policy. However, we monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate (“**HIBOR**”) arising from our Group's bank overdrafts. If the interest rate had been 50 basis points higher/lower for bank overdrafts and all other variables were held constant at the end of each reporting period, our Group's profit before income tax for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 would decrease/increase by approximately nil, nil, nil, HK\$36,000 and HK\$59,000, respectively.

FINANCIAL INFORMATION

Credit risk

Our Group's credit risk is primarily attributable to trade receivables, other receivables, amount due from a Director, amount due from a related company and bank balances and cash.

At the end of each reporting period, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The management of our Group is of the opinion that the credit risk of trade receivables arising from contract income is minimal as these are due from creditworthy customers.

Our Group has concentration of credit risks with exposure limited to certain customers. The top 3 debtors comprised 92%, 71%, 83%, 47% and 70% of our Group's trade receivables and 100%, 98%, 94%, 69% and 84% of top 5 debtors of trade receivables as at 31 March 2016, 2017, 2018, 2019 and 2020, respectively. Management of our Group closely monitors the subsequent settlement of the customers. In this regard, the management of our Group considers that our Group's credit risk is significantly reduced.

In order to minimise the credit risk on trade receivables, management of our Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of our Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts on trade receivables and contract assets. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, our Group applies simplified approach on trade receivables and contract assets to provide for expected credit losses ("ECL") prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, trade receivables and contract assets are assessed individually. In this regard, management of our Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The credit risk for bank balances is considered not significant as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

Also, our Group had significant concentration of credit risk on amount due from a Director and amount due from a related company as at 31 March 2016, 2017, 2018, 2019 and 2020. In order to minimise the credit risk, the management of our Group had reviewed the recoverable amount of the advance to the Director regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of our Group considered that our Group's credit risks was significantly reduced. Any amount due from Director or related company will be settled upon Listing.

Liquidity risk

In the management of the liquidity risk, the management of our Group monitors and maintains a level of bank and cash balances deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management of our Group believes that our Group will have sufficient working capital for future operational requirement.

FINANCIAL INFORMATION

DIVIDENDS AND DIVIDEND POLICY

For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, members of our Group declared dividends in aggregate of HK\$10,000,000, HK\$20,000,000, nil, HK\$28,000,000 and nil, to their then shareholders, respectively. As at the Latest Practicable Date, the dividends were either settled by cash or set off against the amount due from director. On 31 May 2020, members of our Group further declared interim dividends in the sum of HK\$18,000,000 to their then shareholders and the interim dividends have been settled by cash. Our Directors consider there to be no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments as our Group will continue to maintain net current assets and net assets position after such payments of dividends.

We do not have a predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. Our Group's historical payment of dividend during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming the Offer Price of HK\$0.3325 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$48,171,000. The Vendor will bear the listing expenses of approximately HK\$2,660,000 relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$45,511,000, representing approximately 42.8% of the gross proceeds from the Listing. Of such amount to be borne by us, approximately HK\$17,498,000 is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$28,013,000, which cannot be so deducted, will be charged to the combined statements of profit or loss. Of approximately HK\$28,013,000 that will be charged to the combined statements of profit or loss, approximately HK\$17,941,000 and HK\$3,613,000 have been charged for the year ended 31 March 2019 and 2020, respectively, and approximately HK\$6,459,000 is expected to be incurred after the Track Record Period. Expenses in relation to the Listing are non-recurring in nature. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

FINANCIAL INFORMATION

King Pacific (HK) Limited (“King Pacific”)

King Pacific was incorporated in 2013 and serves enterprises in Hong Kong and, to the best knowledge of our Directors, principally provides business development consultation, strategic planning, secretarial and accounting services. King Pacific was jointly owned by Ms. Tang Shuk Yi (“**Ms. Tang**”) and Ms. Tam Yin Ping (“**Ms. Tam**”), both of them were also the directors of King Pacific. In December 2018, Ms. Tang transferred all her shares in King Pacific to Ms. Tam and resigned as the director of King Pacific. As at the Latest Practicable Date, Ms. Tam was the sole director and shareholder of King Pacific.

Our Company entered into an agreement with King Pacific in April 2018, pursuant to which our Company agreed to pay HK\$3.0 million, of which HK\$2.6 million was paid during the Track Record Period and the remaining HK\$400,000 will be paid after Listing, to King Pacific to be our consultant for the preparation of the Listing. During the preparation of the Listing, King Pacific provided the following services to our Group: (i) coordinated the professional parties involved and supervising general matters; (ii) liaised the reorganisation in relation to the Listing; (iii) assisted to follow up the progress in regard to professional parties; (iv) assisted our Company to review and provided comments to the documents and reports issued by professional parties; (v) introduced various professional parties to our Company to prepare for the Listing; and (vi) organised roadshows and public relation activities.

In April 2017, our Group was acquainted with Ms. Tam during a business event through introduction by a business partner of our Group. As our Group was interested in Listing and our Directors learned that King Pacific can assist, they started discussion on the preparation for the Listing. In early 2018, King Pacific conducted a preliminary IPO feasibility study, timetable and budget planning. King Pacific also recommended a few law firms, auditing firms and internal control consultants for our Group’s consideration and arranged meetings for introduction. In April 2018, our Group decided to engage King Pacific to assist with the listing plan, including advising on selection of professional parties and the engagement and the corresponding business terms, including the negotiation of terms and conditions and service fee of various professional parties. Later, in May and June 2018 our Group decided to engage CFN Lawyers in association with Broad and Bright as legal advisers to our Company as to Hong Kong laws, HLB Hodgson Impey Cheng Limited as reporting accountants and Sam K. M. Ng CPA Limited as internal control consultant. In June 2018, King Pacific advised our Group on our reorganisation. Since then, King Pacific assisted in monitoring the working progress of various professional parties and their performance of works. King Pacific also assisted our Group to review and to comment on the documents and reports prepared by professional parties to our Group.

To the best of our Directors’ knowledge and belief, save for the services provided to our Group in relation to the Listing, none of our Company, Shareholders, Directors, senior management or their respective close associates had any past or present relationship (including shareholding, employment, business or trust relationship), financing or fund flow transaction, agreement, arrangement or understanding with King Pacific, its respective shareholders, directors and subsidiaries.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 37 to the Accountants’ Report in Appendix I to this prospectus for details of subsequent events after the Track Record Period.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking civil engineering projects and building works projects in Hong Kong. New projects are being undertaken by us and as at the Latest Practicable Date, we had 21 civil engineering projects and 3 building works projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$3,252,877,000 of which approximately HK\$1,120,386,000 have been recognised during the Track Record Period. Based only on our contracts on hands, outstanding contract sum was approximately HK\$2,132,491,000 and approximately HK\$453,280,000 and HK\$1,679,211,000 is expected to be recognised as revenue for the year ending 31 March 2021 and after the year ending 31 March 2021, respectively. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Following the Track Record Period, we have been continuously approached by customers for submitting tenders and quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business.

Since January 2020, the outbreak of COVID-19 in Hong Kong has resulted in a slight impact to the construction industry, while our operation was also slightly affected by the reduction in face-to-face business activities and meetings and works progress of our projects. Our Directors consider that it will be difficult to estimate the overall impact of the outbreak of COVID-19 on our results of operations for the year ending 31 March 2021 as the situation, new Government policies and different subsidy schemes such as the Anti-Epidemic Fund remained uncertain. Our Directors confirm that, as at the Latest Practicable Date, our Group has not encountered or experienced any material difficulty and/or delay in completion of our projects to our customers and from our subcontractors and any material supply chain disruptions of our suppliers due to the outbreak of COVID-19. Our Directors also confirm that our Group has not experienced any incidents of our employees/workers failing to report duty due to infection of COVID-19 up to the Latest Practicable Date. As such, our Directors are of the view that the current outbreak of the COVID-19 did not have any material impact on our Group.

In response to the outbreak of COVID-19 in Hong Kong, we have implemented the following measures:

- monitoring the stock of personal protection equipment (including but not limited to surgical masks and hand sanitiser) for our staff and workers;
- requiring our staff and workers to wear surgical masks;
- implementing mandatory body temperature check before entering into office and our construction sites. Those who have fever or respiratory symptoms shall be refrained from working and required to seek medical advice promptly;
- implementing mandatory travel reporting and requiring a 14-day self-quarantine for those who returned from area outside Hong Kong; and
- providing health education materials on the prevention of COVID-19 for our staff and workers.

FINANCIAL INFORMATION

Our Group will also closely monitor the projects' progress and communicate with our suppliers and subcontractors, maintain close communication with our customers and the other representatives of the project owners on the latest project works schedules and arrangements, proactively follow up with our potential customers on the tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain our market competitiveness.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 31 March 2020 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at 31 March 2020, our Company had no distributable reserves available for distribution to equity holders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 March 2020, as if the Share Offer had taken place on 31 March 2020.

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to owners of our Company had the Share Offer been completed as at 31 March 2020 or at any future dates. It is prepared based on the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2020 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.325 per Share	<u>111,961</u>	<u>80,283</u>	<u>192,244</u>	<u>0.12</u>
Based on the Offer Price of HK\$0.34 per Share	<u>111,961</u>	<u>84,603</u>	<u>196,564</u>	<u>0.12</u>

FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of our Company as of 31 March 2020 is extracted from the Accountants' Report, which is based on the audited combined net assets of our Group attributable to the owners of our Company of approximately HK\$111,961,000.
2. The estimated net proceeds from the Share Offer are based on 320,000,000 new Shares at the indicative Offer Price of HK\$0.325 and HK\$0.34 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$21,554,000 listing-related expenses which have been accounted for prior to 31 March 2020).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 1,600,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2020).
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to 31 March 2020.
5. The unaudited pro forma adjusted net tangible assets of our Group does not take into account of the dividend of HK\$18,000,000 declared on 31 May 2020. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets of our Group would decrease to approximately HK\$174,244,000 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$178,564,000 assuming an Offer Price of HK\$0.34 per Share and the unaudited pro forma adjusted net tangible assets of our Group per Share would decrease to approximately HK\$0.11 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$0.11 assuming an Offer Price of HK\$0.34 per Share.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the Listing expenses on the profit or loss accounts; and (ii) our Group's legal and professional fee and staff costs are expected to increase after the Listing which has posted or will post a material adverse change in the financial or trading position or prospect of our Group since 31 March 2020. Prospective investors should be aware of the above impacts on the financial performance of our Group for the year ending 31 March 2021.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 31 March 2020 (being the date of which our Group's latest audited combined financial statements were made up) and there had been no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We have long term plans to develop our business in construction in Hong Kong, sustain growth and increase our market share. The proceeds from the Share Offer will facilitate us to undertake large scale civil engineering projects as the main contractor and expand in building construction. We also target to improve profitability by acquiring more machinery and adhere to prudent financial management to ensure optimal finance costs. Please refer to the section headed “Business – Our business strategies” in this prospectus for further information on our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.3325 per Offer Share (being the mid-point of the Offer Price range of HK\$0.325 to HK\$0.34 per Offer Share), will be approximately HK\$60.9 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Share Offer.

We intend to apply the net proceeds from the Share Offer within 18 months from the Listing Date for the following purposes:

1. Approximately 40.1%, or HK\$24.4 million, will be used to finance three existing main contractor projects.

We were awarded a civil engineering project as the main contractor by the CEDD in November 2018 for an initial contract value of approximately HK\$39.4 million (Job 27). The project was commenced in November 2018 and is expected to take 54 months to complete.

In November 2019, our Group was further awarded a civil engineering project as a joint venture main contractor with Build King Group by CEDD with an initial contract value of approximately HK\$2,578 million, out of which a contract value of approximately HK\$773 million was attributed to our Group (Job 33), completion of such project should enable Richwell Engineering to apply for confirmation of the Group C under the Roads and Drainage category. The project has been commenced in December 2019 and is expected to take 73 months to complete. As at the Latest Practicable Date, our Directors consider that the project is still in early stage. As at 31 March 2020, the accumulated revenue recognised for the project was approximately HK\$4 million and the total outstanding contract sum amounted to approximately HK\$769 million, out of which approximately HK\$18 million is expected to be recognised for the year ending 31 March 2021 and the remaining of approximately HK\$751 million is expected to be recognised after the year ending 31 March 2021. In January 2020, the joint venture partners agreed to inject HK\$10 million to the joint venture as working capital, of which HK\$3 million was injected by our Group, which is proportional to our interest in the joint venture. As at the Latest Practicable Date, our Group has not received any payment from the joint venture. As at the Latest Practicable Date, the joint venture had engaged 15 subcontractors with an aggregate subcontract value of approximately HK\$467 million. Further subcontracting will take place when the project progresses and suitable subcontractors are identified. In May 2019, the project has published official approval and funding from the Government and Legislative Council. As at the Latest Practicable Date, we expect that working capital of HK\$13.8 million will be required to run the two projects above, which represents 10% of the average annualised value of the projects as required by the Contractor Management Handbook.

FUTURE PLANS AND USE OF PROCEEDS

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Drainage Services Department has awarded a contract to a joint venture formed by our Group and Build King Group with an initial contract value of approximately HK\$827 million, out of which a contract value of approximately HK\$248 million was attributed to our Group (Job 39), completion of such project should enable Richwell CE to apply for confirmation of the Group B under the Roads and Drainage category. The project has been commenced in July 2020 and is expected to take 48 months to complete. The project is still in a preliminary stage to establish the joint venture. The total contract sum of the project was approximately HK\$248 million, out of which approximately HK\$41 million is expected to be recognised for the year ending 31 March 2021 and the remaining of approximately HK\$207 million is expected to be recognised after the year ending 31 March 2021. We would allocate approximately HK\$10.6 million to satisfy the minimum working capital requirement.

Please refer to the section headed “Business – Our projects” in this prospectus for other details of these projects.

As at the Latest Practicable Date, our Group has not encountered or experienced any material difficulty and/or delay in completion of our projects and from our subcontractors and any material supply chain disruptions of our suppliers due to the outbreak of COVID-19. Therefore, our Directors are of the view that the overall impact caused by the outbreak of COVID-19 on these projects, results of operations and/or financial performance will not be significant.

In addition, as discussed in the section headed “Business – Our business strategies” in this prospectus, it is our strategy to undertake more large scale civil engineering projects as the main contractor and we target to satisfy the requirement of applying confirmation to Group B and Group C under the Roads and Drainage category in the Approved Contractors List, the completion of Job 33 would satisfy the confirmation requirements of Group C and the completion of Job 39 would satisfy the minimum confirmation requirements of Group B in the Roads and Drainage category. Our Group has made considerable efforts in undertaking more main contractor projects. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, we were engaged in 5, 6, 5, 7 and 8 projects which we were the main contractor and revenue from these main contractor projects amounted to approximately HK\$115,054,000, HK\$143,403,000, HK\$177,658,000, HK\$199,082,000 and HK\$199,179,000, respectively. Our Directors determine that obtaining more main contractor projects is our primary business strategy for growth and sharpening our competitiveness. During the Track Record Period, certain of our main contractor projects were undertaken by a joint venture which our Group was one joint venture owner while the other joint venture owner was an Independent Third Party. We will continue to co-operate with other main contractors to tender for Government projects, including forming joint ventures to be the main contractor. According to the Contractor Management Handbook, we will be qualified for applying for confirmation status if we undertake the work as one of the joint venture owners of the main contractor, provided that the shared value of completed works undertaken by our Group meets the stipulated amount stated above. From time to time we have to observe and comply with the financial requirements as stipulated in the Contractor Management Handbook. When we tender for new project from the Government, we have to submit the required financial information to demonstrate sufficiency of employed capital and working capital, which would be based on the latest statement of outstanding workload and would take into account the annual value of the new tender. Financial information to be submitted to the Finance Section of Development Bureau include audited financial statements, details of current and outstanding contracts in hand, bank letters and agreement on banking facilities. We also have to submit audited accounts annually for Richwell

FUTURE PLANS AND USE OF PROCEEDS

Engineering and Richwell CE and half-yearly accounts for Richwell Engineering as a Group C (Probation) contractor to the Secretary for Development for the financial assessment. Depending on market opportunities, the manpower and financial resources available, we will also tender for and have the expertise to complete projects which we could be the standalone main contractor. During the Track Record Period, we completed Job 4, which we were the standalone main contractor and as at the Latest Practicable Date, two main contractor projects, Job 26 and Job 27, with an initial contract value of approximately HK\$53.1 million and HK\$39.4 million, respectively, are undertaken by a joint venture formed by Richwell CE and Richwell Engineering.

We have significant cash flow requirements after we are awarded large scale civil engineering projects and our Directors are of the view that such requirement has been reflected in our Group's cash flow from operating activities during the Track Record Period. The cash flow requirements normally depend on the initial contract sum of the projects. Although we had the capacity to complete large scale projects by utilising internal resources, such as Job 9 (having a final contract sum of approximately HK\$297.6 million) and Job 16 (having a final contract sum of approximately HK\$320.4 million), we believe the subsequent impact to our cash flow in operations is substantial and the limited internal resources will hinder our ability to be awarded other upcoming and attractive projects. When we aim for a single project that has a total contract sum of more than HK\$500 million, we expect that upfront working capital requirements will exceed the large scale projects undertaken by us during the Track Record Period. As at 31 March 2016, our closing aggregate value of backlog was approximately HK\$1,441 million, which was of relatively high value among the financial year end dates throughout the Track Record Period and after the award of Job 16 with an initial contract sum of approximately HK\$302.1 million. Our net cash used in operation for the year ended 31 March 2017 was approximately HK\$10,724,000, as compared to the net cash generated from operation of approximately HK\$21,646,000 for the year ended 31 March 2016. While it is expected that there will be subsequent positive operating cash flow generated from the new projects, the positive cash flow will depend on the progress of the projects as well as payment from the customers. Such cash inflow may not always match with the timing of the cash flow needs of new projects. Aggregate net cash generated from operating activities over the four financial years ended 31 March 2019 was approximately HK\$27,223,000, which suggests that relying on the cash from operating activities is not an efficient way to fund the business growth of our Group as compared to other fund raising methods, such as the Share Offer.

We will assess the total outstanding value of work and our tender will not be accepted if in any same category of the same group that the total value of works that we undertake as the main contractor exceeds the limit (HK\$300 million for each of Roads and Drainage category and Site Formation category in Group B (Probation) and HK\$700 million for Roads and Drainage category in Group C (Probation)). According to the Ipsos Report, as of June 2020, there were 1,433 structural and civil engineering subcontractors on General Civil Works being registered under the Construction Industry Council. But as of 21 June 2020, there were 61 Group B (Roads and Drainage), 52 Group B (Site Formation) and 59 Group C (Roads and Drainage) contractors on the Approved Contractors List. The number of contractors that would compete with us for main contractor projects in the relevant group and category of the Approved Contractors List is effectively less than the number of general civil engineering subcontractors. By focusing on large scale main contractor projects, we believe contractors with less resources or experience in undertaking complex and long duration projects will also not be able to compete with us.

FUTURE PLANS AND USE OF PROCEEDS

While actual working capital or cashflow patterns of a project depend on a number of factors, we expect the working capital requirements for main contractor are generally larger than those for subcontractor given that the main contractor is responsible for the working capital requirements of the entire project, such as preparation of the construction site, procurement of materials, paying for insurance, fees and levy, and if necessary, taking out surety bond. Moreover, our Directors also expect that although more working capital is needed in a main contractor project, cash receipts from customer are generally steadier than subcontractor projects, as payments are based on work done and the fluctuation of workload of any one subcontractor may not have a material impact to the total work done during a period from the perspective of main contractor. On the other hand, subcontractors are normally only responsible for the working capital requirements, including their labour, subcontractors and equipment, for completing the works that were awarded to them.

During the Track Record Period, overall gross profit margin of projects which we were the main contractor was lower than the overall gross profit margin of projects which we worked as subcontractor. In general, our Directors expect that gross profit margin of main contractor projects is lower given that (i) the contract sum of main contractor projects is larger; and (ii) the main contractor's risks can be diversified by subcontracting. While being a main contractor may not shift all the responsibilities to the subcontractors, our Group has measures to manage the risks of overseeing the overall project execution and quality by selecting subcontractors from an approved list and entering into legally enforceable subcontracting agreements with our subcontractors with respect to their due performance of subcontracted works. Subcontracting specific works to reliable, skilled and experienced subcontractors can promote efficiency and cost effectiveness in niche areas where our Group is not accustomed to, which benefits the overall project management. Our Directors believe that it is appropriate for our Group to expand by undertaking more large scale civil engineering projects as main contractor because (i) the large contract sum of the main contractor projects can compensate the absolute amount of gross profit that can be earned from a subcontractor project of smaller scale. During the Track Record Period, we had undertaken both main contractor and subcontractor projects with average gross profit margin of approximately 6.2% and 12.0%, respectively. In the future, our Group will continue to undertake both main contractor and subcontractor projects. For illustration purpose, on average, based on historical average gross profit margin of main contractor and subcontractor projects, a main contractor project has a contract sum of 1.9 times of that of a subcontractor project, and approximately the same absolute amount of the gross profit would be obtained from each of these two projects. During the Track Record Period and up to the Latest Practicable Date, our Group's average total contract sum for main contractor and subcontractor projects were approximately HK\$230 million and HK\$109 million, respectively; (ii) the resources, including technical and skilled labour, dedicated machinery and equipment, specified construction materials and all other necessary resources to complete the project, to be put by main contractor are generally less than the resources required by subcontractor for a comparable size of contract sum; and (iii) completion of main contractor projects is more effective in establishing our reputation, which also facilitates our marketing for subcontractor projects. It is our experience that it is rare for general civil engineering subcontracts to have a contract sum worth more than HK\$500 million. If our Group is able to undertake large scale projects, we will have to tender directly from the Government and to be the main contractor. In addition, for our main contractor projects, the direct customer is usually the Government, so we will have less concern about the credit risk on payment of work done.

FUTURE PLANS AND USE OF PROCEEDS

While aiming for more large-scale main contractor projects, our Group has no intention to alter our current business model and we will strive to maintain a majority of our revenue to be contributed from subcontractor projects as subcontractor projects will normally have higher gross profit margin than main contractor projects.

Our Directors have watched closely the forecast of invitations to tenders published by different Government departments. For the three years ended 31 March 2018, our closing aggregate value of backlog increased from approximately HK\$779.4 million as at 1 April 2015 to approximately HK\$1,441.2 million as at 31 March 2016, it then dropped to approximately HK\$991.4 million as at 31 March 2017 and dropped further to approximately HK\$669.8 million as at 31 March 2018. The closing aggregate value of backlog then increased to approximately HK\$805.4 million as at 31 March 2019 and further increased to approximately HK\$1,474.6 million as at 31 March 2020. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group was further awarded with three contracts with an aggregate initial contract sum of approximately HK\$660.6 million. After that, our Directors continued to place tenders in response to invitations from the Government and other main contractors and believed that there should be sufficient market opportunities for our Group to utilise the funds obtained from the Share Offer to finance large scale projects. Our Directors are of the view that there will be substantial demand for main contractor projects in the construction industry in view of our Group had been awarded with Job 33 and the rolling tender forecasts published by different Government departments. As at June 2020, our Directors have noted that, for example, (i) the CEDD forecasts there will be 1 Roads and Drainage project under Group B with estimated cost between HK\$200 million and HK\$300 million probable for inviting tenders; (ii) the Highways Department forecasts there will be 2 Roads and Drainage projects under Group C each with estimated cost exceeding HK\$300 million probable for inviting tenders; and (iii) the Drainage Services Department forecasts there will be 2 Roads and Drainage projects under Group B with estimated cost between HK\$100 million and HK\$200 million and 9 Roads and Drainage projects under Group C each with estimated cost exceeding HK\$300 million probable for inviting tenders. The above mentioned tenders are forecast by the respective Government departments to be invited between second quarter of 2020 and first quarter of 2021. Our Group will exercise care in identifying the most suitable tenders and applying the appropriate tender strategy, including the co-operation with other main contractors if necessary, to increase the probability to be awarded for large scale and profitable projects. We will also pay attention to any updates in the forecast of invitation to tenders published by the Government from time to time. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, our tender success rate was 22.7%, 6.3%, 11.1%, 27.9% and 17.2%, respectively. The tender success rate was low for the year ended 31 March 2017 as we had several large scale projects in progress such that our resources were tied up and we reduced the number of tender submissions and applied more aggressive pricing in the tenders to justify the costs for allocating additional resources. Our tender success rate subsequently improved when our resources were released. Our Directors are confident that our Group will continue to be awarded for contracts with large sums given (i) the volume of forecast of invitations to tenders published by the Government; (ii) our track record of undertaking complex and large scale projects; (iii) the improving tender success rate since the year ended 31 March 2018; and (iv) with the proceeds from the Share Offer, our Group will enlarge capacity that will facilitate us to submit competitive tenders amid undertaking other large scale projects on hand.

The proceeds will be used to finance the working capital needs of the projects, including the payment to subcontractors and suppliers for services and construction materials before our work is done for entitling our Group to payments from the customer. The proceeds for project working capital are not expected to acquire new machinery or employ new project management team as discussed in items 2 and 3 below.

FUTURE PLANS AND USE OF PROCEEDS

2. Approximately 31.0% or HK\$18.9 million, will be used to acquire machinery and equipment to upgrade and enlarge our fleet of machinery, as well as to facilitate our current operations, a breakdown of the funds is as follows:

Machinery and equipment	Number	Expected cost (HK\$' million)
Truck mounted concrete pump (vertical reach 42 m)	1	3.2
Truck mounted concrete pump (vertical reach 38 m)	1	2.8
Mobile crane (50 and 90 tonnes)	1 each	8.7
Crane lorry with lifting capacity of 9 and 30 tonnes	1 each	2.6
Excavator with 13 and 20 tonnes of operating weight	1 each	<u>1.6</u>
		<u><u>18.9</u></u>

Currently our Group does not own any truck mounted concrete pump but truck mounted concrete pumps are often used in construction projects, especially when pouring a large block of concrete structure. Truck mounted concrete pumps can be used in civil engineering projects as well as building works projects and they enhance the speed of pouring concrete and together improve the quality of concrete and save labour for manual transportation and time costs. As our construction projects commonly involve construction of large reinforced concrete structures, truck mounted concrete pumps are frequently deployed on site, which are either leased by our Group or provided by subcontractors.

Among others, we owned 5 mobile cranes, 12 excavators with different operating weights, 5 crane lorries, 5 air compressors, 4 vibratory rollers, 1 forklift, 12 diesel generators and 1 dumping lorry. Our machinery have an average age of 4.5 years and although they are functioning well, new machinery need to be acquired to (i) cater to our increasing project needs; (ii) enhance operating efficiency and lower maintenance expenses; (iii) gradually replace the old machinery which are in use for longer than the expected useful life; (iv) reduce machinery rental; and (v) comply with the new emission standard prescribed under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper quality powered mechanical equipment label issued by the EPD as new machinery are more environmentally friendly. We rented truck mounted concrete pumps, mobile cranes, excavators and crane lorries during the Track Record Period and our Directors confirm that our subcontractors equipped themselves with their own air compressors or diesel generators when their operations required.

Mobile cranes and excavators which we plan to further acquire are standard machinery and equipment used in construction projects, especially for large scale projects. Our Directors expect that the acquisition of new machinery and equipment will bring short and long term benefits to our Group and is beneficial to our future plans for expansion. Our Directors expect that the machinery and equipment can be deployed immediately once they are acquired.

FUTURE PLANS AND USE OF PROCEEDS

Although our Group has obtained finance leases for our plant and machinery, the carrying amounts were not significant as compared to our total assets. It was our Group's practice to pay the full amount of the machinery before arranging the finance lease arrangements. It provides better financial flexibility to our Group and our Group could select an optimal leasing plan, or not in order to save finance costs. Alternatively, our Group could acquire the new machinery under finance leases but it is expected that a down payment of 20% together with subsequent monthly repayments will be necessary. Since our Directors consider that finance leases will not reduce the costs of purchasing and our Group will still have to finance the down payment and repayment of the leases, our Directors consider that using the net proceeds from the Share Offer is in the interest of our Group which will enable our Group to retain working capital for undertaking project works and will not be otherwise used for repaying finance leases.

The major costs of owning machinery include the initial purchase costs, which will be charged to our profit or loss accounts as depreciation expenses over the useful lives of the machinery, the subsequent repair and maintenance costs and costs of storage. The depreciation rates for plant and machinery adopted by our Group is 25% per year. If the machinery listed above are purchased at the expected cost of HK\$18.9 million as budgeted above, annual depreciation expenses will be approximately HK\$4.7 million. Our Directors expect that these machinery will be stationed on site or leased out when they are not used, costs of storage for these machinery are considered to be immaterial. In addition, our Directors also expect that the new machinery will be covered by warranty, repair and maintenance costs in the short term are expected to be immaterial relative to the depreciation expenses.

Our Directors also obtained quotations for rental of similar machinery from Independent Third Parties and assuming 26 working days per months, the estimated annual rental cost for the intended machinery will be approximately HK\$9.4 million, which should include all depreciation cost, costs of repair and maintenance of the leased machinery. The following is a breakdown of the quoted machinery rental:

Machinery and equipment	Number	Quoted annual rental (HK\$'000)
Truck mounted concrete pump (vertical reach 42 m)	1	1,735
Truck mounted concrete pump (vertical reach 38 m)	1	1,579
Mobile crane (50 and 90 tonnes)	1 each	4,187
Crane lorry with lifting capacity of 9 and 30 tonnes	1 each	1,129
Excavator with 13 and 20 tonnes of operating weight	1 each	755
		9,385

Therefore, our Directors expect that the annual depreciation expenses together with the costs of repair and maintenance for owned machinery will be lower than the costs of rental and our Directors are of the view that owning machinery will be earning accretive to our Group since machinery rental are expected to rise with inflation while annual depreciation is fixed. In practice, machinery are generally expected to operate longer than the accounting useful lives of 4 years.

FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, although our Directors recognised that owning more machinery can reduce rental expenses and reliance on subcontractors and may increase our efficiency of operation, our Directors considered that it was more appropriate to retain sufficient working capital for the development of our main contractor business which the Government had imposed minimum working capital requirements for the retention on the Approved Contractors List and the tendering for new Government projects. During the year ended 31 March 2019, we relied on bank borrowings and advances from a Director to maintain the required working capital, and our Group chose not to acquire the machinery and equipment earlier and instead would apply the proceeds from the Share Offer for such acquisition.

3. Approximately 19.7%, or HK\$12.0 million, will be applied for forming a new project management team and strengthening manpower for our headquarters. We expect the new project management team will enlarge our project execution power and expand our capacity to undertake large main contractor jobs in roads and drainage sector. The following table sets out the positions and budget of the new project management staff we plan to employ after the Listing:

Position	Number	Expected annual cost (HK\$' million)
Senior project manager	1	1.8
Site agent	2	2.4
Site engineer	2	1.1
Safety and environmental officer	1	0.8
Safety supervisor	2	<u>0.8</u>
		<u><u>6.9</u></u>

It generally occurs in Government projects that the main contractor is required to include in its staffing proposal certain professional and technical staff such as project manager, site agent, site engineers, safety and environmental officers and foremen with relevant experience for ensuring that the works will meet the contract requirements. While we may be able to arrange the project management staff from projects that are completed or becoming less active to the newly commenced projects, if we are to increase the number of projects that we can undertake and to expand our market share, a new project management team is needed. As at 31 March 2020, we had 3 senior project managers or project managers, 3 site agents, 11 assistant or site engineers and 14 staff responsible for safety and environment. We also had larger workforce of engineering, quantity surveying and site workers to cope with our operation needs. It is expected that such a project management team will be stationed in a large scale construction site full time for project execution.

Our Directors expect that the headquarters supporting staff serve for improving tender success rate, achieving cost saving in procurement, effective management of our plant and machinery, upholding our internal control and financial management and reporting functions, in order to enhance our Group's results of operations. We also expect the new project director will share the administrative workload of Mr. KK Tsui, our executive Director and Chairman, who will oversee our overall strategic management and dedicate his time on business development as well as investors relation, and Mr. Ian Tsui, our executive Director and Chief Executive Officer, who will oversee our project execution, human resources and finance and administration, following the Listing.

FUTURE PLANS AND USE OF PROCEEDS

We have been maintaining the level of project management staff and other site staff with regard to project works, number of projects and contract requirements and our direct costs were increasing during the Track Record Period. If we are to increase the number of projects that are concurrently undertaken and to participate in more large scale projects as the main contractor, we will have to recruit more site staff, as well as project management staff.

With the successful deployment of funds of the Share Offer in project working capital, the acquisition of new machinery, the expansion of manpower and the award for projects in Group B or Group C that had a project value of not less than HK\$210 million and HK\$490 million for a duration of 2 years and 3 years, respectively, in the absence of factors that would adversely affect the progress of the projects, we expect that the additional annual average value of work to be completed by our Group by forming the new project management team will start from HK\$105.0 million.

Our Directors believe that as we target to undertake more main contractor projects in the public sector, we will expand our professional project management team, not only to cope with the increasing needs in executing construction projects, but also satisfy the staffing requirements as expected by our customers.

In addition, we will also require more supporting staff in our headquarters for assisting the implementation of our corporate strategies, supervise in overall our ongoing projects, as well as facilitating our administration function, such as statutory reporting, monthly budgeting and management accounting, and financial analysis after the Listing. A project director will be needed to oversee our projects and provide technical solution on project execution and assist our executive Directors. A purchase and plant controller will also assist us on the procurement and fixed assets maintenance procedures. Also, to facilitate our performance of tendering, we also plan to recruit an estimator for gathering cost information and prepare budget estimates of the intended projects. The following table sets out the positions and budget of the supporting staff after the Listing:

Position	Number	Expected annual cost (HK\$' million)
Project director	1	2.0
Administration manager	2	0.8
Purchase and plant controller	2	0.8
Accounting manager	1	1.0
Estimator	1	0.5
		<u>5.1</u>

FUTURE PLANS AND USE OF PROCEEDS

4. Approximately 4.1% or HK\$2.5 million, will be used to upgrade our enterprise information systems which will be used for streamlining management process, enhancing our operational efficiency, cost management and quality of services. The above is intended to be fulfilled by implementing an enterprise resources planning system which is planned to be implemented across our organisation by phases and involve both hardware and software upgrade. Firstly, our Directors plan to upgrade the existing accounting system to enhance billing and payment procedures. Secondly, our administration management system is targeted for optimisation, which aims at ensuring and automating tax filing, attendance, payrolls and pension contribution. Cloud storage function is expected to be enabled. Our executive Directors expect the upgrade in the management information systems will facilitate our analysing of work flows and providing useful feedbacks for cost control, tender assessment and evaluation and identifying causes for deviation between budget and actual performance.

We also plan to apply approximately 1.6%, or HK\$1.0 million to fully accommodate ourselves with the Government's initiatives to enhance innovation and productivity by adopting building information modelling ("BIM") technology, which is a tool to holistically manage the whole project life cycle, from planning and design to construction, and all the way to operation and maintenance at a later stage. The Government announced that starting 2018, it will adopt BIM technology in the design and construction of major Government capital works projects and the Construction Industry Council will formulate BIM technical standards, help equip the industry and encourage the use of BIM in private construction projects. The proceeds from the Share Offer will be applied for acquisition of BIM software, recruitment of one BIM modeller for the preparation of BIM models required in existing and future Government projects and providing related training to our staff.

We plan to implement this within 12 months following the Listing.

5. Approximately 3.5%, or HK\$2.1 million, will be applied for the general working capital of our Group.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.34 per Share, the net proceeds we will receive from the Share Offer will increase by approximately HK\$2.2 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.325 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$2.2 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the applicable laws and regulations, we will carefully evaluate the situation and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Group has seen ups and downs in the construction industry in Hong Kong throughout our history. We have overcome different challenges and also accomplished many milestones. We have always strived for upholding our competitiveness and pursuing opportunities for growth. With reference to the Ipsos Report, gross output value of overall construction works was growing at a CAGR of 4.9% from 2013 to 2019 but is forecast to be growing slower at a CAGR of 2.0% from 2020 to 2024. In view of this, we have clearly articulated our expansion plans, identified drivers of growth and also set timeline of implementation.

Despite the abovementioned forecast slowing growth of the industry, the lump sum increase in the gross output value of overall construction works will be more than our capacity. We adopt a forward-looking approach and it is our priority to reinforce our focus area on more large scale public civil engineering projects. It is central in our strategy to undertake more large scale projects as they will provide sufficient workloads, and hence revenue, for a few years. Completing large scale projects will also help satisfying the track record criteria for applying our current status of Group B (Probation) and Group C (Probation) to be Group B (Confirmed) and Group C (Confirmed) under the Roads and Drainage category. Upon successful registration in the Confirmation status, our Group will be effectively allowed to bid for more public works projects or larger projects under the Roads and Drainage category.

As the Government recognises the need to cope with huge demand for housing, land, healthcare services and community infrastructure development, we believe that there will be more building construction opportunities and building construction can be our new source of growth and area of expansion. We are experienced in constructing structures in civil engineering projects and such skills can be capitalised onto constructing building structures. With a few building works projects on hand, our Group believes that the Listing will provide the financial resources for acquiring machinery and equipment relevant to perform the building works.

Accordingly, our Directors believe that the Listing will be an important milestone of our Group after years of development of our Group with progressive achievements: registering in the Group B (Probation) under the Site Formation and Roads and Drainage categories in 2007 and 2009, respectively, promotion from Group B (Probation) to Group B (confirmed) and Group C (Probation) under the Roads and Drainage category in 2014 and 2016, respectively, and further registering in Group B (Probation) under the Roads and Drainage category in 2018, and the Listing will create new value to our Company by taking us to next level of growth potential implementing our future plans as described above.

Apart from the above, our business was financed mainly by our internal resources, advance from Controlling Shareholder and other bank borrowings during the Track Record Period. Our Group has genuine funding needs which the Share Offer can resolve. As at 31 March 2020, although bank balances and cash were approximately HK\$60,374,000, we had current tax liabilities of approximately HK\$2,353,000, amount due to a director of approximately HK\$2,198,000 and borrowings of approximately HK\$23,037,000. The Government will award contract of whatever value in any category of work only when a contractor's working capital amounts to at least the level required for retention on the Approved Contractors List and would take into account the annual value of the new tender. For Group B and Group C contractors, the minimum working capital required is 10% and 8-10% on annualised outstanding works, respectively. For illustrative purpose only, our Group's combined working capital as at 31 March 2020 of approximately HK\$97,619,000 was sufficient for carrying out annualised outstanding works of approximately HK\$976 million in Group B or approximately HK\$1,220 million in Group C. During the Track Record Period, our Group had experienced insufficient working capital that the Government had requested a shareholder's loan before awarding a contract. In August 2018, Mr. KK Tsui, our Controlling Shareholder, advanced a sum of HK\$1.4 million to Richwell CE which should not be required to be repaid unless Richwell CE maintained the required minimum working capital as a contractor on the Approved Contractors List for the award of a public work contract in September 2018, our Group was a main contractor

FUTURE PLANS AND USE OF PROCEEDS

via a joint venture formed by Richwell CE and Richwell Engineering. In November 2019, Mr. KK Tsui, our Controlling Shareholder, advanced an aggregate amount of HK\$2.2 million to Richwell Engineering which should not be required to be repaid unless Richwell Engineering maintained the required minimum working capital as a contractor on the Approved Contractions List for a public works contract awarded in November 2019, which our Group was a main contractor via a joint venture formed by Richwell Engineering and Build King Civil Engineering Limited. In November 2019 and June 2020, our Group was awarded Job 33 and Job 39 which should satisfy the confirmation requirements of Group C and Group B, respectively, as discussed above, our Group has to maintain approximately HK\$22.6 million to satisfy the minimum working capital requirement. In view of the imminent funding need, our Directors consider that raising fund in the equity market is the only practical method as (i) although cost of debt financing is generally thought to be lower, bank loans granted to our Group are usually repayable within 12 months, which cannot rectify shortfall in any required minimum working capital; and (ii) our Directors' or Controlling Shareholders' funds are limited.

In addition, as at 31 March 2020, bank balances and cash of approximately HK\$23,936,000 were deposited in accounts of joint operations, i.e. joint ventures between our Group and the other main contractor that our Directors consider that such bank balances and cash should be maintained at the joint ventures for the undertaking of project works and contribution of working capital at present. The cash kept by the joint ventures would not be distributed to our Group for our other projects' working capital use until the progress of the joint venture's project is mature for doing so. However, such cash can be withdrawn to partially finance the working capital requirements of future large scale main contractor projects when the cash distribution request is approved by all partners of the joint operations. Hence, our Directors expect the cash distribution requests are not to be made often unless the joint operation projects are almost completed or do not need further working capital injection.

On the other hand, the construction industry is very fragmented and the Listing will certainly differentiate ourselves from many other competitors. To the broader sense, our competitiveness can be sharpened by:

(i) Improve efficiency and productivity

We will strengthen the use of processes and procedures for the continuous improvement in efficiency and productivity by optimising human resources, including the upgrade of the management information system and the adoption of an incentive scheme as provided under the Share Option Scheme.

(ii) Enhance our corporate profile and credibility

We believe that our customers, suppliers and subcontractors will prefer doing business with a listed company to a private company given the expected transparency offered by a listed company, especially from its regular financial reporting and regulatory announcements. In addition, we believe the Listing will signal our credibility to our stakeholders.

(iii) Access to a new financing platform and increase financial flexibility

The Listing will establish our shareholder base and provide a separate fund raising platform to finance the growth and expansion of our business.

(iv) Boost our staff morale and loyalty

We believe the Listing will be respected by our staff, including those of our subcontractors. The listing status of our Company will offer our staff the job security, self-esteem and financial confidence that other unlisted competitors may not be able to offer. Moreover, our Directors consider that the Listing will enable us to attract more talents to join our Group.

Our Directors look forward to working hard to fulfill all the above plans.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Seazen Resources Securities Limited
DL Securities (HK) Limited
Solomon Asset Management (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, our Controlling Shareholders (including the Vendor), our executive Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, and the Public Offer Underwriters have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (for themselves and on behalf of the Vendor) agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe for the Public Offer Shares which is being offered but not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, the BVI and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, the BVI and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI and the Cayman Islands; or
 - (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or

UNDERWRITING

- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii) and (iii) above and (v) below, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, the BVI, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or the Vendor or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xii) a prohibition on our Company and/or the Vendor for whatever reason from allotting and/or selling the Shares pursuant to the terms of the Share Offer under applicable laws; or
- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or the Vendor, or any member of our Group or the Vendor 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 our Group or the Vendor or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or the Vendor or anything analogous thereto occurs in respect of any material member of our Group or the Vendor,

which in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

UNDERWRITING

- (b) the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), the Sponsor or any of the Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Joint Bookrunners, the Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing.

then and in any such case, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate its obligations under the Public Offer Underwriting Agreement.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into 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 Listing Date), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have jointly and severally undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), they shall not dispose of, or 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 they are shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), they shall not 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, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within 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 Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares 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)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, inform our Company immediately of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our 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.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

We have undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our share upon exercise of such options pursuant to the Share Option Scheme, we will not, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company 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 subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or 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 such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Sponsor and the Joint Lead Managers or otherwise in compliance with the requirements of the Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-month Period, commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and

UNDERWRITING

- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he/it shall:

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, our Controlling Shareholders (including the Vendor), executive Directors and our Company expect to enter into the Placing Underwriting Agreement with, among other, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and with the additional terms as described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 360,000,000 Placing Shares (comprising 280,000,000 new Shares and 80,000,000 Sale 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 our 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” above.

UNDERWRITING

EXPENSES

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 10% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer. No additional incentive fee will be payable by our Company to the Underwriters.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fees.

In connection with the Listing and the Share Offer, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to be approximately HK\$39,052,000 (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative Offer Price range of HK\$0.3325 per Offer Share) of which approximately HK\$36,392,000 and HK\$2,660,000 shall be borne by our Company and the Vendor, respectively.

Our Company and our Controlling Shareholders have agreed to indemnify the Joint Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from the performance of their obligations under the Underwriting Agreements, and any breach by our Company or our Controlling Shareholders of the Underwriting Agreements.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsor(s) set out in Rule 3A.07 of the Listing Rules.

Sponsor's, Joint Lead Managers' and Underwriters' interest in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services within the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Frontpage Capital is the Sponsor, the Joint Bookrunners and the Joint Lead Managers of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 40,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 360,000,000 Shares (comprising 280,000,000 new Shares and 80,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 40,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares are 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\$0.34 per Share plus 1% brokerage, 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 investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (a) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.
- (b) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 20,000,000 Shares (being 50% of the Public Offer Shares initially available for subscription under the Public Offer) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentages of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 120,000,000 Offer Shares (in the case of (i)), 160,000,000 Offer Shares (in the case of (ii)) and 200,000,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced in such manner as the Joint Lead Managers deems appropriate. If the Public Offer Shares are not fully subscribed for, the Joint Lead Managers has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deems appropriate. If the Public Offer is not fully subscribed, the Joint Lead Managers will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing.

If (i) the Placing Shares are fully subscribed or oversubscribed, and if the number of Public Offer Shares validly applied for under the Public Offer represents 100% or more, but less than 15 times, of the number of Public Offer Shares initially available under the Public Offer; or (ii) the Placing Shares are not fully subscribed, and if the number of Public Offer Shares validly applied for under the Public Offer represents 100% or more of the number of Public Offer Shares initially available Under the Public Offer, the Joint Lead Managers may, at its discretion, reallocate the Placing Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Public Offer Shares available under the Public Offer shall not be increased to more than 80,000,000 Shares, representing double the number of Public Offer Shares initially available under the Public Offer and 20% of the total number of Offer Shares initially available.

In the event of reallocation of the Offer Shares between the Public Offer and the Placing in the circumstances as stated in (i) or (ii) above, the final offer price will be fixed at HK\$0.325, being the bottom end of the indicative offer price range according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

THE PLACING

Number of Shares initially offered

Our Company is expected to offer initially 360,000,000 Shares (comprising 280,000,000 new Shares and 80,000,000 Sale Shares) (subject to reallocation) under the Placing, representing 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company and the Vendor by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who 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. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Stock Exchange.

Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement or the reallocation of the Offer Shares between the Public Offer and the Placing described in the paragraph headed “The Public Offer – Reallocation” above.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Monday, 12 October 2020 and in any event on or before Wednesday, 14 October 2020, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will be not more than HK\$0.34 per Share and is expected to be not less than HK\$0.325 per Share, unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.34 for each Public Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$2,747.41 for each board lot of 8,000 Shares. If the Offer Price is less than HK\$0.34, appropriate refund payments (including the brokerage fee, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applicants.

If, for any reason, our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Wednesday, 14 October 2020, the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Change to the indicative Offer Price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, change the indicative Offer Price range and/or the number of Offer Shares initially offered in the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.landrich.com.hk notices of such change. In addition, 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.

Upon issue of such a notice and supplemental prospectus, 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 Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will be fixed within such revised range. Such notice and supplementary prospectus 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 in this prospectus which may change materially as a result of such change.

Before submitting applications for the 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 the day which is the last day for lodging applications under the Public Offer. 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 an 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 Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Lead Managers may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Lead Managers.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allotment of the Public Offer Shares are expected to be announced on Monday, 19 October 2020 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.landrich.com.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form and **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for the Public Offer Shares – 10. Publication of results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Wednesday, 14 October 2020, the Share Offer will not proceed and will lapse immediately.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.landrich.com.hk on the next business day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended)).

Share certificates for the Offer Shares are expected to be issued on Monday, 19 October 2020, and will only become valid at 8:00 a.m. on Tuesday, 20 October 2020, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

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

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the 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 advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 20 October 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 20 October 2020.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares will be 2132.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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** Application Form or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers 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** Application Form 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 U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the 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 of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Friday, 9 October 2020 from:

- (a) the office of the Joint Lead Managers:

Name	Address
Seazen Resources Securities Limited	Unit 4503-07, 45/F The Center 99 Queen's Road Central Central Hong Kong
Solomon Asset Management (Hong Kong) Limited	Unit 804, 8/F The L.Plaza 367-375 Queen's Road Central Central Hong Kong
Yuzhou Financial Holdings Limited	Unit 5805, 58/F The Center 99 Queen's Road Central Central Hong Kong

- (b) any of the following branches of DBS Bank (Hong Kong) Limited the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Friday, 9 October 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – Landrich Holding 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:

Wednesday, 30 September 2020	–	9:00 a.m. to 5:00 p.m.
Saturday, 3 October 2020	–	9:00 a.m. to 1:00 p.m.
Monday, 5 October 2020	–	9:00 a.m. to 5:00 p.m.
Tuesday, 6 October 2020	–	9:00 a.m. to 5:00 p.m.
Wednesday, 7 October 2020	–	9:00 a.m. to 5:00 p.m.
Thursday, 8 October 2020	–	9:00 a.m. to 5:00 p.m.
Friday, 9 October 2020	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 9 October 2020, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this section below.

The application for the Public Offer Shares will commence on Wednesday, 30 September 2020 through Friday, 9 October 2020, being slightly longer than normal market practice of four business days. The application monies (including brokerage, 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 applicants without interest on Monday, 19 October 2020. Prospective investors should be aware that the Price Determination Date is expected to be on or about Monday 12 October 2020, on which the Offer Price is determined and, in any event, no later than Wednesday, 14 October 2020 and the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 20 October 2020.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or 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 the Joint Lead Managers (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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Vendor, the Sponsor, 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Vendor, the Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, 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 Vendor, the Sponsor, 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 register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company (for itself and on behalf of the Vendor) 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 Vendor, the Sponsor and the Joint Lead Managers 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone 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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Vendor and the Joint Lead Managers 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 Vendor, the Sponsor, 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 contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to disclose your personal data to our Company, the Vendor, the Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, 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 a 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 a 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 giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant 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⁾

Wednesday, 30 September 2020	–	9:00 a.m. to 8:30 p.m.
Saturday, 3 October 2020	–	8:00 a.m. to 1:00 p.m.
Monday, 5 October 2020	–	8:00 a.m. to 8:30 p.m.
Tuesday, 6 October 2020	–	8:00 a.m. to 8:30 p.m.
Wednesday, 7 October 2020	–	8:00 a.m. to 8:30 p.m.
Thursday, 8 October 2020	–	8:00 a.m. to 8:30 p.m.
Friday, 9 October 2020	–	8:00 a.m. to 12:00 noon

Note:

- (1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Friday, 9 October 2020 (24 hours daily, except on Friday, 9 October 2020 the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 9 October 2020, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section below.

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, the Vendor, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such 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 Vendor, the Sponsor, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form 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 Friday, 9 October 2020.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, 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** Application Form or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

9. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- extreme conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 October 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 and/or extreme conditions 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 Friday, 9 October 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Monday, 19 October 2020 on our website at www.landrich.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 (where appropriate) 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.landrich.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 19 October 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) with a “search by ID/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Monday, 19 October 2020 to 12:00 midnight on Sunday, 25 October 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 19 October 2020 to Thursday, 22 October 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 19 October 2020 to Wednesday, 21 October 2020 at all the receiving bank’s designated branches and sub-branches as set out in the paragraph headed “Where to collect the Application Forms” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accept 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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a 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 its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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 Committee 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 are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.34 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 19 October 2020.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form 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 Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on 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 Monday, 19 October 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’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 20 October 2020 provided that the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 19 October 2020 or such other date as notified by us at www.hkexnews.hk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 19 October 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, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 19 October 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 Monday, 19 October 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 19 October 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 19 October 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 "10. Publication of results" above on Monday, 19 October 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 19 October 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 Monday, 19 October 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, 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 Monday, 19 October 2020.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company 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 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 arrangements 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 on pages I-1 to I-2, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF LANDRICH HOLDING LIMITED AND FRONTPAGE CAPITAL LIMITED

Introduction

We report on the historical financial information of Landrich Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-67, which comprises the combined statements of financial position of the Group as at 31 March 2016, 2017, 2018, 2019 and 2020, the statements of financial position of the Company as at 31 March 2019 and 2020, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2016, 2017, 2018, 2019 and 2020 (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-3 to I-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors 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 2016, 2017, 2018, 2019 and 2020, of the Company's financial position as at 31 March 2019 and 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on 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 14 to the Historical Financial Information which states that no dividend have been paid by the Company since its incorporation.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong, 30 September 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 combined 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 HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
	<i>Notes</i>					
Revenue	6	401,244	686,163	482,243	529,678	609,195
Direct costs		<u>(367,757)</u>	<u>(641,776)</u>	<u>(426,209)</u>	<u>(461,391)</u>	<u>(534,274)</u>
Gross profit		33,487	44,387	56,034	68,287	74,921
Other income	7	936	737	424	4,513	1,947
Administrative and other operating expenses		(18,005)	(17,436)	(19,380)	(41,919)	(26,829)
Finance costs	8	<u>(37)</u>	<u>(5)</u>	<u>(15)</u>	<u>(234)</u>	<u>(658)</u>
Profit before income tax	10	16,381	27,683	37,063	30,647	49,381
Income tax expense	9	<u>(3,582)</u>	<u>(4,281)</u>	<u>(6,006)</u>	<u>(7,120)</u>	<u>(8,932)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>12,799</u>	<u>23,402</u>	<u>31,057</u>	<u>23,527</u>	<u>40,449</u>
Basic and diluted earnings per share	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets						
Property, plant and equipment	15	7,457	6,323	3,974	7,821	14,132
Right-of-use assets	16	—	—	—	—	210
		<u>7,457</u>	<u>6,323</u>	<u>3,974</u>	<u>7,821</u>	<u>14,342</u>
Current assets						
Trade receivables	18	29,188	64,276	47,591	82,972	72,405
Other receivables, deposits and prepayment	19	6,476	8,454	7,619	8,017	17,865
Contract assets	20	25,161	42,291	59,909	75,955	72,198
Amount due from a director	17	29,237	21,710	—	—	—
Amount due from a related company	17	—	13,000	—	—	—
Pledged bank deposits	21	1	116	116	10,300	10,454
Bank balances and cash	21	26,793	13,290	58,531	34,025	60,374
		<u>116,856</u>	<u>163,137</u>	<u>173,766</u>	<u>211,269</u>	<u>233,296</u>
Total assets		<u>124,313</u>	<u>169,460</u>	<u>177,740</u>	<u>219,090</u>	<u>247,638</u>
Current liabilities						
Trade and other payables	22	45,402	74,529	60,525	87,630	84,490
Contract liabilities	20	43,155	51,749	29,372	15,394	21,808
Amount due to a director	17	—	—	2,225	18,636	2,198
Borrowings	23	—	—	—	20,555	23,037
Obligations under finance leases	24	97	118	162	270	—
Lease liabilities	25	—	—	—	—	214
Current tax liabilities		3,992	7,995	13,240	4,942	3,930
		<u>92,646</u>	<u>134,391</u>	<u>105,524</u>	<u>147,427</u>	<u>135,677</u>
Net current assets		<u>24,210</u>	<u>28,746</u>	<u>68,242</u>	<u>63,842</u>	<u>97,619</u>
Total assets less current liabilities		<u>31,667</u>	<u>35,069</u>	<u>72,216</u>	<u>71,663</u>	<u>111,961</u>
Non-current liabilities						
Obligations under finance leases	24	—	—	—	151	—
		<u>—</u>	<u>—</u>	<u>—</u>	<u>151</u>	<u>—</u>
Net assets		<u>31,667</u>	<u>35,069</u>	<u>72,216</u>	<u>71,512</u>	<u>111,961</u>
Capital and reserves						
Combined capital	26	14,820	14,820	20,910	2	2
Reserves	27	16,847	20,249	51,306	71,510	111,959
Total equity		<u>31,667</u>	<u>35,069</u>	<u>72,216</u>	<u>71,512</u>	<u>111,961</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
	<i>Notes</i>		
Current liabilities			
Accruals		400	400
Amounts due to subsidiaries		<u>17,541</u>	<u>21,154</u>
		<u>17,941</u>	<u>21,554</u>
Net liabilities		<u><u>(17,941)</u></u>	<u><u>(21,554)</u></u>
Capital and reserves			
Share capital	26	_*	_*
Reserves	27	<u>(17,941)</u>	<u>(21,554)</u>
Total equity		<u><u>(17,941)</u></u>	<u><u>(21,554)</u></u>

* The balance represents an amount less than HK\$1,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined capital HK\$'000 (Note 26)	Other reserve HK\$'000 (Note 27)	Retained profits HK\$'000	Reserves HK\$'000	Total equity HK\$'000
As at 1 April 2015	10,120	–	14,048	14,048	24,168
Shares issued	4,700	–	–	–	4,700
Dividends (Note 14)	–	–	(10,000)	(10,000)	(10,000)
Profit and total comprehensive income for the year	–	–	12,799	12,799	12,799
As at 31 March 2016	14,820	–	16,847	16,847	31,667
Dividends (Note 14)	–	–	(20,000)	(20,000)	(20,000)
Profit and total comprehensive income for the year	–	–	23,402	23,402	23,402
As at 31 March 2017	14,820	–	20,249	20,249	35,069
Shares issued	6,090	–	–	–	6,090
Profit and total comprehensive income for the year	–	–	31,057	31,057	31,057
As at 31 March 2018	20,910	–	51,306	51,306	72,216
Impact of initial application of HKFRS 9	–	–	(233)	(233)	(233)
Adjusted balance as at 1 April 2018	20,910	–	51,073	51,073	71,983
Shares issued	4,002	–	–	–	4,002
Dividends (Note 14)	–	–	(28,000)	(28,000)	(28,000)
Reorganisation	(24,910)	24,910	–	24,910	–
Profit and total comprehensive income for the year	–	–	23,527	23,527	23,527
As at 31 March 2019	2	24,910	46,600	71,510	71,512
Profit and total comprehensive income for the year	–	–	40,449	40,449	40,449
As at 31 March 2020	<u>2</u>	<u>24,910</u>	<u>87,049</u>	<u>111,959</u>	<u>111,961</u>

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Cash flows from operating activities					
Profit before income tax	16,381	27,683	37,063	30,647	49,381
Adjustments for:					
– Depreciation of property, plant and equipment	4,290	3,945	3,956	3,002	4,087
– Depreciation of right-of-use assets	–	–	–	–	559
– Gain on disposal of property, plant and equipment	(509)	(131)	(27)	(1,438)	(1,272)
– Impairment/(reversal of) loss allowance on trade receivables, net of reversal/impairment	–	1,075	–	46	(212)
– Interest expense	37	5	15	234	658
– Interest income	–	–	–	(98)	(182)
	<u>20,199</u>	<u>32,577</u>	<u>41,007</u>	<u>32,393</u>	<u>53,019</u>
Operating cash flows before movements in working capital					
(Increase)/decrease in trade receivables	(1,903)	(36,163)	16,685	(35,660)	10,779
(Increase)/decrease in other receivables, deposits and prepayment	(2,706)	(1,978)	835	(398)	(9,848)
Decrease/(increase) in contract assets	2,917	(17,130)	(17,618)	(16,046)	3,757
(Increase)/decrease in amount due from a director	(21,057)	(12,473)	21,710	–	–
(Increase)/decrease in amount due from a related company	–	(13,000)	13,000	–	–
Increase/(decrease) in trade and other payables	20,560	29,127	(14,004)	27,088	(3,140)
Increase/(decrease) in contract liabilities	3,748	8,594	(22,377)	(13,978)	6,414
	<u>21,758</u>	<u>(10,446)</u>	<u>39,238</u>	<u>(6,601)</u>	<u>60,981</u>
Cash generated from/(used in) operations					
Interest paid	–	–	–	(157)	(264)
Hong Kong Profits Tax paid	(112)	(278)	(761)	(15,418)	(9,944)
	<u>21,646</u>	<u>(10,724)</u>	<u>38,477</u>	<u>(22,176)</u>	<u>50,773</u>
Net cash generated from/(used in) operating activities					

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000	
<i>Notes</i>						
Cash flows from investing activities						
Changes in pledged bank deposits	(1)	(115)	–	(10,184)	(154)	
Interest received	–	–	–	98	182	
Proceeds from disposal of property, plant and equipment	1,066	792	83	1,630	1,272	
Purchase of property, plant and equipment	<u>(3,989)</u>	<u>(3,272)</u>	<u>(1,187)</u>	<u>(6,461)</u>	<u>(10,479)</u>	
Net cash used in investing activities	<u>(2,924)</u>	<u>(2,595)</u>	<u>(1,104)</u>	<u>(14,917)</u>	<u>(9,179)</u>	
Cash flows from financing activities						
Advance from/(repayment to) a director	–	–	2,225	16,411	(16,438)	
Dividend paid	(10,000)	–	–	(28,000)	–	
Interest paid	(37)	(5)	(15)	(60)	(394)	
New bank loans raised	–	–	–	14,000	5,000	
Proceeds from issue of shares	4,700	–	6,090	4,002	–	
Repayment of lease liabilities	–	–	–	–	(895)	
Repayment of bank loans	–	–	–	(566)	(7,146)	
Repayment of obligations under finance leases	<u>(1,909)</u>	<u>(179)</u>	<u>(432)</u>	<u>(321)</u>	<u>–</u>	
Net cash (used in)/generated from financing activities	<u>(7,246)</u>	<u>(184)</u>	<u>7,868</u>	<u>5,466</u>	<u>(19,873)</u>	
Net increase/(decrease) in cash and cash equivalents	11,476	(13,503)	45,241	(31,627)	21,721	
Cash and cash equivalents at the beginning of year	<u>15,317</u>	<u>26,793</u>	<u>13,290</u>	<u>58,531</u>	<u>26,904</u>	
Cash and cash equivalents at the end of year	<u><u>26,793</u></u>	<u><u>13,290</u></u>	<u><u>58,531</u></u>	<u><u>26,904</u></u>	<u><u>48,625</u></u>	
Represented by:						
Bank balances and cash	21	26,793	13,290	58,531	34,025	60,374
Bank overdrafts	23	–	–	–	(7,121)	(11,749)
	<u>26,793</u>	<u>13,290</u>	<u>58,531</u>	<u>26,904</u>	<u>48,625</u>	

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 31 July 2018. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is at Unit 2808, 28th Floor, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company and the principal activities of its operating subsidiaries are the provision of construction engineering works.

The Historical Financial Information is presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

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 the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Throughout the Track Record Period, the group entities were under the control of Mr. Tsui Kai Kwong (the “Controlling Shareholder”). Through a reorganisation as more fully explained in the paragraph headed “Reorganisation” under the section headed “History, Development and Reorganisation” to the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 21 September 2020. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Shareholder prior to and after the Reorganisation.

The Historical Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Notes
Lion Brave Group Limited ("Lion Brave")	Limited liability company incorporated on 20 April 2018, the British Virgin Islands ("BVI")	United States dollars ("US\$") 100	100%(direct)	Investment holding	1
Lofty Wisdom Holdings Limited ("Lofty Wisdom")	Limited liability company incorporated on 23 April 2018, the BVI	US\$100	100%(direct)	Investment holding	1
Sheen Cedar Investments Limited ("Sheen Cedar")	Limited liability company incorporated on 23 April 2018, the BVI	US\$100	100%(direct)	Investment holding	1
Richwell Engineering Limited ("Richwell Engineering")	Limited liability company incorporated on 20 May 1993, Hong Kong	HK\$15,700,000	100%(indirect)	Construction engineering works	4,5
Richwell Civil Engineering Limited ("Richwell CE")	Limited liability company incorporated on 14 July 2009, Hong Kong	HK\$9,200,000	100%(indirect)	Construction engineering works	4,5
Time Concept Construction Limited ("Time Concept")	Limited liability company incorporated on 23 October 2014, Hong Kong	HK\$10,000	100%(indirect)	Subcontracting services for construction works	2,3,5

Notes:

- No audited statutory financial statements have been prepared for these subsidiaries since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.
- The statutory financial statements of the subsidiary for the year ended 31 March 2016, which were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA, were audited by Norman Chan & Company, Certified Public Accountants (Practising), Hong Kong.
- The statutory financial statements of the subsidiary for the years ended 31 March 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by UHY Vocation HK CPA Limited, Hong Kong.
- The statutory financial statements of these subsidiaries for the years ended 31 March 2016, 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by UHY Vocation HK CPA Limited, Hong Kong.
- The statutory financial statements of these subsidiaries for the years ended 31 March 2019 and 2020, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by HLB Hodgson Impey Cheng Limited, Hong Kong.

All companies now comprising the Group have adopted 31 March as their financial year end date.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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 interpretations (“HK(IFRIC)-Int”) issued by the HKICPA, which are effective for the accounting period beginning on 1 April 2019 throughout the Track Record Period, except that the Group adopted HKFRS 9 “Financial Instruments” on 1 April 2018 and HKAS 39 “Financial Instruments: Recognition and Measurement” prior to 1 April 2018, and HKFRS 16 “Leases” on 1 April 2019 and HKAS 17 “Leases” prior to 1 April 2019. Specifically, the Group has adopted HKFRS 15 “Revenue from Contracts with Customers” on a consistent basis throughout the Track Record Period. The accounting policies for financial instruments under HKFRS 9 and HKAS 39 and leases under HKFRS 16 and HKAS 17 are set out in Note 4 below.

HKFRS 9 “Financial Instruments” and the related amendments

On 1 April 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduced new requirements in respect of (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 and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39 “Financial instruments: Recognition and Measurement”.

Impairment of financial assets and contract assets

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial 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 accounting policies results of the assessment and the impacts 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 financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Additional loss allowance recognised under HKFRS 9 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Trade receivables	Loans and receivables	Financial assets at amortised cost	47,591	(233)	47,358
Other receivables and deposits	Loans and receivables	Financial assets at amortised cost	7,203	–	7,203
Contract assets	N/A	N/A	59,909	–	59,909
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	116	–	116
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	58,531	–	58,531
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	60,525	–	60,525
Contract liabilities	N/A	N/A	29,372	–	29,372
Amount due to a director	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,225	–	2,225
Obligations under finance leases	Financial liabilities at amortised cost	Financial liabilities at amortised cost	162	–	162

The Group applies the HKFRS 9 simplified approach to measure ECL which use a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost, which mainly comprise other receivables and deposits, pledged bank deposits and bank balances, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is negligible.

For other receivables and deposits, the management of the Group makes periodic assessment on the recoverability based on historical settlement records and past experience. Based on assessment by the management of the Group, the ECL for the other receivables and deposits is not material.

Accordingly, no loss allowance has been recognised for other financial assets as at 1 April 2018.

As at 1 April 2018, the additional loss allowance of approximately HK\$233,000 has been recognised against retained profits of approximately HK\$51,306,000. The additional loss allowance is charged against the trade receivables.

Loss allowance for trade receivables as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Loss allowance for trade receivables <i>HK\$'000</i>
At 31 March 2018 – HKAS 39	1,075
Amounts remeasured through opening retained profits	<u>233</u>
At 1 April 2018 – HKFRS 9	<u><u>1,308</u></u>

HKFRS 16 “Leases”

Transition and summary of effects arising from initial application of HKFRS 16

Our Group applied HKFRS 16 for the first time from 1 April 2019. HKFRS 16 superseded HKAS 17, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and financial information for the years ended 31 March 2016, 2017, 2018 and 2019 have not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;

- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liabilities of approximately HK\$1,109,000 and right-of-use assets of approximately HK\$1,222,000.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.90%.

	<i>Note</i>	As at 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019		1,036
Add: Extension options reasonably certain to be exercised		232
Less: Recognition exemption – short-term leases		<u>(562)</u>
		706
Effect from discounting at the incremental borrowing rate as at 1 April 2019		<u>(18)</u>
Lease liabilities relating to operating leases recognised as at 1 April 2019 upon application of HKFRS 16		688
Add: Obligation under finance leases as at 31 March 2019	(a)	<u>421</u>
Lease liabilities as at 1 April 2019		<u><u>1,109</u></u>
Analysed as		
Current liabilities		744
Non-current liabilities		<u>365</u>
		<u><u>1,109</u></u>

The carrying amounts of right-of-use assets as at 1 April 2019 comprise the following:

	<i>Note</i>	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		688
Amounts included in property, plant and equipment under HKAS 17		
–Assets previously under finance leases	(a)	<u>534</u>
		<u><u>1,222</u></u>
By class:		
–Leased properties		688
–Motor vehicles		<u>534</u>
		<u><u>1,222</u></u>

Notes:

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1 April 2019 amounting to approximately HK\$534,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK\$270,000 and HK\$151,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) Before the application of HKFRS 16, the Group considered refundable deposits paid as right and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relate to the right to use the underlying assets and shall be adjusted to reflect the discounting effect at transition. In view of the amount involved is insignificant, no adjustment was made to refundable rental deposits paid or right-of-use assets.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs that have been issued but are not yet effective. The Group has not early adopted these new and revised HKFRSs.

HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions ⁵
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 ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁶
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁶
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 -2020 Cycle ⁶

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 2020

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 2021

⁵ Effective for annual periods beginning on or after 1 June 2021

⁶ Effective for annual periods beginning on or after 1 January 2022

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 directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the combined 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 the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. 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 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 HKAS 17 “Leases” for the four years ended 31 March 2016, 2017, 2018 and 2019 and HKFRS 16 “Leases” for the year ended 31 March 2020, and measurements 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”.

In addition, for financial reporting purpose, 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.

Consolidation and combination

The Historical Financial Information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period. Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Historical Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's combined financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue recognition

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.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The Group's performance creates and enhances an asset that the customer control 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue from provision of construction engineering works.

The Group provides construction engineering works under contracts with customers. Such contracts are entered into before the construction engineering works begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customers control which referred as the designated areas where the construction works are performed. Revenue from the provision of construction engineering works is recognised over time, using input method. The management of the Group has assessed that the stage of completion determined as the proportion of the costs incurred for the works (i.e. subcontracting costs, materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these works faithfully depicts the Group's performance to date, taking into account the margin of each contract, to the extent that the amount can be measured reliably and its recovery is considered probable.

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 better predicts 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.

Revenue from sales of goods is recognised at a point in time when control of the goods has been transferred, being when the goods have been shipped/delivered to the customers' specific location. 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 right to consideration become unconditional, as only the passage of time is required before payment is due.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right of 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the construction engineering works under construction 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 contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customers. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognised a contract liability for the difference.

Leasing (before application of HKFRS 16 on 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as an obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasing (upon application of HKFRS 16 on 1 April 2019)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties and car parks that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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 plant and equipment.

The Group presents right-of-use assets as a separate line item on the combined statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item in the combined statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service 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. Taxable profit differs from “profit before income tax” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (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 and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments (before application of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a director, amount due from a related company, pledged bank deposits and bank balances and cash) are measured 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

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a 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, 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 respective 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, the amount of the 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 a trade 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, 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, amount due to a director, obligations under finance leases are subsequently measured at amortised cost using the effective interest method.

Derecognition

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (after application of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned.

All recognised financial assets are required to be subsequently measure at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments 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 the financial assets in order to collect contract 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 interests on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. 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

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, amount due from a related company, amount due from a director, pledged bank deposits and bank balances and cash) and contract assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month 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 and assesses the lifetime ECL collectively based on shared credit risk characteristic. The estimate of the credit loss is determined 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 as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime 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.

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 reporting date 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 the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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).

The Group considers that default has occurred when the instrument 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 the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower 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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice when 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.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

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 12-month ECL at the current reporting date.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, amount due to a director, bank overdrafts, bank loans, obligations under finance leases and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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 risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue

The contract revenue and profit recognised on a project is dependent on management's estimation of the progress of the satisfaction of performance obligations of a construction contract over time, measured by actual contract costs incurred to date to estimated total contract costs for the contract. Based on the Group's recent experience and the nature of the activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue, contract costs and variation order, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers and vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs and revises the budgeted construction costs as appropriate.

Significant judgement is required in estimating contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Estimated impairment of trade receivables

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 are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, 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 2016, 2017 and 2018, the carrying amounts of trade receivables are approximately HK\$29,188,000, HK\$64,276,000 and HK\$47,591,000, respectively (net of loss allowance of approximately Nil, HK\$1,075,000 and HK\$1,075,000, 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 based on the credit risk of trade receivables. 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 31 March 2019 and 2020, the carrying amounts of trade receivables are approximately HK\$82,972,000 and HK\$72,405,000, respectively (net of loss allowance of approximately HK\$1,354,000 and HK\$821,000, respectively).

Determination of lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to properties. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the leases without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

During the year ended 31 March 2020, the exercise of the renewal option is detailed in Note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of construction engineering works in Hong Kong during the Track Record Period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in Note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Revenue from external customers

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Recognised over time:					
Contract income from provision of construction engineering works	<u>401,244</u>	<u>686,163</u>	<u>482,243</u>	<u>529,678</u>	<u>609,195</u>

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 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Provision of construction engineering works (<i>Note</i>)	<u>639,174</u>	<u>830,437</u>	<u>629,686</u>	<u>805,444</u>	<u>1,474,620</u>

Note: The amounts include the additional transaction prices of new contracts, which refer to the date of letter of award or actual commencement date of construction activities, whichever is the earliest.

Based on the information available to the Group at the end of each reporting period, the management of the Group expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of the provision of construction engineering works as at 31 March 2016, 2017, 2018, 2019 and 2020 will be recognised as revenue varying from 1 to 4 years, 1 to 6 years, 1 to 5 years, 1 to 4 years and 1 to 6 years, respectively according to the contract period.

Information about major customers

The revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Customer A	161,808	294,794	N/A ¹	63,038	N/A ¹
Customer B	N/A ¹	83,522	166,365	93,703	N/A ¹
Customer C	54,811	N/A ¹	N/A ¹	N/A ¹	71,262
Customer D	49,374	110,332	N/A ¹	N/A ¹	N/A ¹
Customer E	115,054	143,067	173,585	193,428	193,063
Customer F	N/A ¹	N/A ¹	N/A ¹	N/A ¹	<u>130,457</u>

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue is derived from external customers located in Hong Kong and the Group's non-current assets are all located in Hong Kong.

7. OTHER INCOME

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Compensation income	126	246	62	2,949	–
Gain on disposal of property, plant and equipment	509	131	27	1,438	1,272
Interest income	–	–	–	98	182
Others	301	360	335	28	493
	<u>936</u>	<u>737</u>	<u>424</u>	<u>4,513</u>	<u>1,947</u>

8. FINANCE COSTS

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Interest expenses on:					
Obligations under finance leases	37	5	15	20	–
Lease liabilities	–	–	–	–	32
Bank loans	–	–	–	57	362
Bank overdrafts	–	–	–	157	264
	<u>37</u>	<u>5</u>	<u>15</u>	<u>234</u>	<u>658</u>

9. INCOME TAX EXPENSE

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Hong Kong Profits Tax:					
Current tax	3,582	4,281	6,006	7,120	7,966
Underprovision in prior years	–	–	–	–	966
	<u>3,582</u>	<u>4,281</u>	<u>6,006</u>	<u>7,120</u>	<u>8,932</u>

The tax charge for the Track Record Period can be reconciled to the profit before income tax per combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Profit before income tax	<u>16,381</u>	<u>27,683</u>	<u>37,063</u>	<u>30,647</u>	<u>49,381</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,703	4,568	6,116	5,057	8,148
Tax effect of expenses not deductible for tax purpose	63	82	28	3,022	653
Tax effect of income not taxable for tax purpose	(106)	(22)	(4)	(512)	(232)
Tax effect of temporary differences not recognised	(21)	203	429	(302)	(318)
Utilisation of tax losses previously not recognised	–	(983)	(473)	–	(60)
Tax effect of tax losses not recognised	983	473	–	60	–
Underprovision in prior years	–	–	–	–	966
Effect of tax concession	(40)	(40)	(90)	(40)	(60)
Income tax at concessionary rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>(165)</u>	<u>(165)</u>
Income tax expense for the year	<u>3,582</u>	<u>4,281</u>	<u>6,006</u>	<u>7,120</u>	<u>8,932</u>

For the Track Record Period, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the years ended 31 March 2019 and 2020, Hong Kong Profits Tax of the qualified 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%.

For the years ended 31 March 2019 and 2020, Hong Kong Profits Tax is calculated in accordance with the two-tiered profit tax rates regime.

No deferred tax assets and liabilities have been recognised in the combined financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2016, 2017, 2018, 2019 and 2020.

As at 31 March 2016, 2017, 2018, 2019 and 2020, the Group had estimated unrecognised tax losses of approximately HK\$5,960,000, HK\$2,869,000, Nil, HK\$362,000 and Nil, respectively, available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the estimated unrecognised tax losses due to the unpredictability of future profit streams. The tax losses are subject to final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

10. PROFIT BEFORE INCOME TAX

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Auditors' remuneration	456	629	976	400	400
Depreciation of property, plant and equipment	4,290	3,945	3,956	3,002	4,087
Depreciation of right-of-use assets	–	–	–	–	559
Listing expenses	–	–	–	17,941	3,613
Operating lease charges in respect of leased premises	1,320	1,576	1,762	2,881	–
Operating lease charges in respect of machinery and equipment	10,600	27,591	17,738	18,874	–
Expense related to short-term leases	–	–	–	–	26,035
Impairment/(reversal of) loss allowance on trade receivables, net of reversal/impairment	–	1,075	–	46	(212)
Employee benefits expenses (including directors' emoluments)					
– Salaries, allowances and other benefits in kind	72,798	89,597	101,217	101,200	124,495
– Contribution to retirement benefit scheme	2,689	3,111	3,504	3,185	3,958
Cost of construction materials	127,898	269,906	80,131	69,253	101,973
Subcontracting charges	125,493	217,827	208,312	249,801	266,436

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the companies comprising the Group to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 March 2016

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Tsui Kai Kwong	–	1,315	18	1,333
Mr. Tsui Tsz Yeung Ian	–	1,021	18	1,039
Ms. Tsui Wai Yeung Janis	–	487	18	505
	–	2,823	54	2,877

For the year ended 31 March 2017

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Contribution to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Mr. Tsui Kai Kwong	–	1,384	18	1,402
Mr. Tsui Tsz Yeung Ian	–	1,007	18	1,025
Ms. Tsui Wai Yeung Janis	–	350	18	368
	–	2,741	54	2,795

For the year ended 31 March 2018

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Contribution to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Mr. Tsui Kai Kwong	–	1,460	18	1,478
Mr. Tsui Tsz Yeung Ian	–	1,009	18	1,027
Ms. Tsui Wai Yeung Janis	–	594	18	612
	–	3,063	54	3,117

For the year ended 31 March 2019

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Contribution to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Mr. Tsui Kai Kwong	–	1,650	18	1,668
Mr. Tsui Tsz Yeung Ian	–	1,335	18	1,353
Ms. Tsui Wai Yeung Janis	–	828	18	846
	–	3,813	54	3,867

For the year ended 31 March 2020

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Contribution to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Mr. Tsui Kai Kwong	–	1,995	18	2,013
Mr. Tsui Tsz Yeung Ian	–	1,610	18	1,628
Ms. Tsui Wai Yeung Janis	–	1,073	18	1,091
	<u>–</u>	<u>4,678</u>	<u>54</u>	<u>4,732</u>

The emoluments of Mr. Tsui Kai Kwong, Mr. Tsui Tsz Yeung Ian and Ms. Tsui Wai Yeung Janis disclosed above include those for services rendered by them in connection with the management of the affairs of the Group during the Track Record Period.

Mr. Lee Yan Kit, Mr. Lee Kin Kee and Mr. Kwong Ping Man were appointed as independent non-executive directors of the Company on 21 September 2020. During the Track Record Period, they have not yet been appointed and did not receive any remuneration.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company has waived or agreed to waive any emolument during the Track Record Period.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group include two, two, two, two and two directors of the Company for each of the years ended 31 March 2016, 2017, 2018, 2019 and 2020, respectively, details of whose emoluments are set out in Note 11. The emoluments of the remaining employees during the Track Record Period were as follows:

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>	Year ended 31 March 2018 <i>HK\$'000</i>	Year ended 31 March 2019 <i>HK\$'000</i>	Year ended 31 March 2020 <i>HK\$'000</i>
Salaries, allowances and other benefits in kind	3,489	3,348	3,922	4,069	4,826
Contribution to retirement benefit scheme	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>
	<u>3,543</u>	<u>3,402</u>	<u>3,976</u>	<u>4,123</u>	<u>4,880</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration were within the following bands:

	Year ended 31 March 2016 (Number of individuals)	Year ended 31 March 2017 (Number of individuals)	Year ended 31 March 2018 (Number of individuals)	Year ended 31 March 2019 (Number of individuals)	Year ended 31 March 2020 (Number of individuals)
Nil to HK\$1,000,000	1	1	-	-	-
HK\$1,000,001 to HK\$1,500,000	2	2	3	2	1
HK\$1,500,001 to HK\$2,000,000	-	-	-	1	2
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of them has waived or agreed to waive any emolument during the Track Record Period.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

14. DIVIDENDS

Prior to the Reorganisation, certain subsidiaries of the Company, had declared dividends to their then shareholder as follows:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Shareholder:					
Mr. Tsui Kai Kwong	<u>10,000</u>	<u>20,000</u>	<u>-</u>	<u>28,000</u>	<u>-</u>

The rate of dividends and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

No dividends have been paid or declared by the Company since its incorporation.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
As at 1 April 2015	12,893	5,222	–	10,105	28,220
Additions	1,352	1,185	–	1,952	4,489
Disposals	(227)	–	–	(1,445)	(1,672)
As at 31 March 2016	14,018	6,407	–	10,612	31,037
Additions	443	642	64	2,323	3,472
Disposals	(342)	–	–	(1,885)	(2,227)
As at 31 March 2017	14,119	7,049	64	11,050	32,282
Additions	200	376	417	670	1,663
Disposals	–	–	–	(113)	(113)
As at 31 March 2018	14,319	7,425	481	11,607	33,832
Additions	1,519	1,382	430	3,710	7,041
Disposals	–	–	–	(2,539)	(2,539)
As at 31 March 2019	15,838	8,807	911	12,778	38,334
Impact of initial application of HKFRS 16	–	–	–	(648)	(648)
Adjusted balance as at 1 April 2019	15,838	8,807	911	12,130	37,686
Additions	3,698	584	1,989	4,208	10,479
Disposals	(2,384)	–	–	(736)	(3,120)
Transfer from right-of-use assets	–	–	–	648	648
As at 31 March 2020	17,152	9,391	2,900	16,250	45,693
Accumulated depreciation					
As at 1 April 2015	11,379	3,214	–	5,812	20,405
Provided for the year	1,302	1,089	–	1,899	4,290
Eliminated on disposals	(170)	–	–	(945)	(1,115)
As at 31 March 2016	12,511	4,303	–	6,766	23,580
Provided for the year	609	1,178	16	2,142	3,945
Eliminated on disposals	(85)	–	–	(1,481)	(1,566)
As at 31 March 2017	13,035	5,481	16	7,427	25,959
Provided for the year	660	1,034	120	2,142	3,956
Eliminated on disposals	–	–	–	(57)	(57)
As at 31 March 2018	13,695	6,515	136	9,512	29,858
Provided for the year	531	593	228	1,650	3,002
Eliminated on disposals	–	–	–	(2,347)	(2,347)

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2019	14,226	7,108	364	8,815	30,513
Impact of initial application of HKFRS 16	—	—	—	(114)	(114)
Adjusted balance as at 1 April 2019	14,226	7,108	364	8,701	30,399
Provided for the year	1,316	660	352	1,759	4,087
Eliminated on disposals	(2,384)	—	—	(736)	(3,120)
Transfer from right-of-use assets	—	—	—	195	195
As at 31 March 2020	<u>13,158</u>	<u>7,768</u>	<u>716</u>	<u>9,919</u>	<u>31,561</u>
Carrying amounts					
As at 31 March 2016	<u>1,507</u>	<u>2,104</u>	<u>—</u>	<u>3,846</u>	<u>7,457</u>
As at 31 March 2017	<u>1,084</u>	<u>1,568</u>	<u>48</u>	<u>3,623</u>	<u>6,323</u>
As at 31 March 2018	<u>624</u>	<u>910</u>	<u>345</u>	<u>2,095</u>	<u>3,974</u>
As at 31 March 2019	<u>1,612</u>	<u>1,699</u>	<u>547</u>	<u>3,963</u>	<u>7,821</u>
As at 31 March 2020	<u>3,994</u>	<u>1,623</u>	<u>2,184</u>	<u>6,331</u>	<u>14,132</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	25%
Furniture and fixtures	20% to 25%
Leasehold improvements	Over the shorter of the lease term or 25%
Motor vehicles	25%

The carrying amounts of motor vehicles held under finance leases at the end of each reporting period are as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>
Motor vehicles held under finance leases	<u>795</u>	<u>307</u>	<u>503</u>	<u>534</u>

16. RIGHT-OF-USE ASSETS

The Group leases certain properties as office and workshop. Property leases are typically made for fixed periods of 1 to 3 years at fixed rentals. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	Leased properties <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2019			
Carrying amounts	<u>688</u>	<u>534</u>	<u>1,222</u>
As at 31 March 2020			
Carrying amounts	<u>210</u>	<u>–</u>	<u>210</u>
For the year ended 31 March 2020			
Depreciation	<u>478</u>	<u>81</u>	<u>559</u>
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			26,035
Total cash outflow for leases			26,962
Additions to right-of-use assets			<u>–</u>

The Group regularly entered into short-term leases for machinery, equipment, properties and carparks. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 March 2020, the operating lease commitments relating to short-term lease are approximately HK\$963,000.

The Group has extension and/or termination options in a number of leases for leased properties and motor vehicles. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

17. AMOUNT DUE FROM/(TO) A RELATED COMPANY/A DIRECTOR

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Amount due from a related company:					
Fame Most Limited (Note)	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Maximum outstanding balance during the year:					
Fame Most Limited (Note)	<u>-</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
Amount due from/(to) a director:					
Mr. Tsui Kai Kwong	<u>29,237</u>	<u>21,710</u>	<u>(2,225)</u>	<u>(18,636)</u>	<u>(2,198)</u>
Maximum outstanding balance during the year					
Mr. Tsui Kai Kwong	<u>34,422</u>	<u>34,237</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: Fame Most Limited is beneficially owned by Mr. Tsui Kai Kwong, the director of the Company.

The amounts due were non-trade in nature, unsecured, interest-free and repayable on demand and will be settled prior to the Listing.

On 1 November 2019, Mr. Tsui Kai Kwong, the Controlling Shareholder, advanced an aggregate amount of HK\$2,200,000 to Richwell Engineering in order to maintain the minimum working capital requirement required by the Development Bureau for Richwell Engineering being a contractor on the List of Approved Contractors for Public Works.

18. TRADE RECEIVABLES

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Trade receivables	29,188	65,351	48,666	84,326	73,226
Less: loss allowance	<u>-</u>	<u>(1,075)</u>	<u>(1,075)</u>	<u>(1,354)</u>	<u>(821)</u>
	<u>29,188</u>	<u>64,276</u>	<u>47,591</u>	<u>82,972</u>	<u>72,405</u>

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an ageing analysis of the Group's trade receivables at the end of the reporting period, presented based on the payment certificate date:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
0-30 days	24,689	40,723	26,382	57,231	46,320
31-60 days	4,499	20,010	19,644	22,307	23,376
61-90 days	–	3,543	1,002	3,379	2,709
91-120 days	–	–	288	55	–
Over 120 days	–	–	275	–	–
	<u>29,188</u>	<u>64,276</u>	<u>47,591</u>	<u>82,972</u>	<u>72,405</u>

Based on the historical settlement records and credit qualities of trade receivables which are past due but not impaired, these receivables are generally recoverable. The management of the Group closely monitor the credit quality of debtors and consider the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$10,406,000, HK\$32,717,000 and HK\$27,665,000 which are past due as at 31 March 2016, 2017 and 2018, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customers. The Group does not hold any collateral over these balances.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristic.

The table below is an analysis of trade receivables which are past due but not impaired:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000
Neither past due nor impaired	<u>18,782</u>	<u>31,559</u>	<u>19,926</u>
Past due but not impaired:			
1-30 days	10,406	20,010	26,100
31-60 days	–	12,707	1,002
61-90 days	–	–	288
Over 90 days	<u>–</u>	<u>–</u>	<u>275</u>
	<u>10,406</u>	<u>32,717</u>	<u>27,665</u>

Movements in the Group's loss allowance on trade receivables are as follows:

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>	Year ended 31 March 2018 <i>HK\$'000</i>
At beginning of year	–	–	1,075
Impairment loss recognised	–	1,075	–
At end of year	<u>–</u>	<u>1,075</u>	<u>1,075</u>

As at 31 March 2016, 2017 and 2018, included in the loss allowance are individually impaired trade receivables with an aggregate balance of approximately Nil, HK\$1,075,000 and HK\$1,075,000, respectively, which have been identified with financial difficulties.

Details of impairment assessment of trade receivables for the years ended 31 March 2019 and 2020 are set out in Note 34.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Other receivables	3,422	6,421	4,958	3,794	11,171
Other deposits	1,855	325	643	856	2,496
Prepayment	284	429	416	1,736	2,453
Utility deposits	915	1,279	1,602	1,631	1,745
	<u>6,476</u>	<u>8,454</u>	<u>7,619</u>	<u>8,017</u>	<u>17,865</u>

Included in other receivables of the Group as at 31 March 2016, 2017, 2018, 2019 and 2020 were amount due from partner of joint operations of approximately HK\$1,117,000, HK\$3,086,000, HK\$2,850,000, HK\$2,540,000 and HK\$6,310,000, respectively.

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

The following is the analysis of the contract assets and liabilities balance for financial reporting purpose:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Contract assets	25,161	42,291	59,909	75,955	72,198
Contract liabilities	<u>43,155</u>	<u>51,749</u>	<u>29,372</u>	<u>15,394</u>	<u>21,808</u>

Contract assets and contract liabilities arising from same contract are presented on net basis.

Contract assets

Amounts represent the Group's right to considerations from customers for the provision of construction engineering works, which arise when: (i) the Group completed the relevant construction works under such contracts and pending to formal certification by the customers; and (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customers.

The Group's contract assets are analysed as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Retention receivables	16,982	20,170	24,337	20,901	24,051
Others (<i>Note</i>)	<u>8,179</u>	<u>22,121</u>	<u>35,572</u>	<u>55,054</u>	<u>48,147</u>
	<u>25,161</u>	<u>42,291</u>	<u>59,909</u>	<u>75,955</u>	<u>72,198</u>

Note: It represents the revenue not yet been billed to the customers which the Group has completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers.

Changes of contract assets during the Track Record Period were mainly due to: (i) the amount of retention receivables (generally at certain percentage of total contract sum) in accordance with the number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (ii) in the size and number of contract works that the relevant services were completed but yet certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction engineering contracts include payment schedules which require stage payments over the construction period once milestones are reached and progress certificates are issued by customer. The Group also typically agrees to a retention period of 1 to 12 months for 1% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

Included in the Group's contract assets are the retention receivables 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. The balances are classified as current assets as they are expected to be received within the Group's normal operating cycle, of which approximately HK\$3,985,000, HK\$1,690,000, HK\$2,391,000, HK\$6,431,000 and HK\$8,503,000 are expected to be settled after one year as at 31 March 2016, 2017, 2018, 2019 and 2020, respectively.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach to measure the ECL prescribed by HKFRS 9 as disclosed in Note 34. There was no impairment loss recognised on any contract assets during the years ended 31 March 2019 and 2020.

Contract liabilities

The contract liabilities represent the Group's obligations to transfer goods and services to customers for which the Group has received consideration in advance (or an amount of consideration is due) from the customers according to the progress of contract works.

Contract liabilities which are expected to be settled within the Group's normal operating cycle, are classified as current.

Revenue from contract income from provision of construction engineering works recognised during the years ended 31 March 2016, 2017, 2018, 2019 and 2020 that was included in the contract liabilities at the beginning of each of the year was approximately HK\$39,407,000, HK\$43,033,000, HK\$50,607,000, HK\$29,372,000, and HK\$15,394,000, respectively.

21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS**Bank balances/pledged bank deposits**

Bank balances and cash represent cash held by the Group and short-term bank deposits with an original maturity of three months or less at average interest rates ranging from 0.01% to 2.1% per annum as at 31 March 2016, 2017, 2018, 2019 and 2020.

Pledged bank deposits represent deposit pledged to a bank to secure banking facilities granted to a partner of joint operation of the Group for a term loan facility not exceeding HK\$25,000,000 and to secure the Group's certain banking facilities. As at 31 March 2016, 2017, 2018, 2019 and 2020, pledged bank deposits amounted to approximately HK\$1,000, HK\$116,000, HK\$116,000, HK\$10,300,000 and HK\$10,454,000, respectively.

22. TRADE AND OTHER PAYABLES

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Trade payables	23,149	37,534	23,175	45,646	37,816
Retention payables (Note)	9,727	15,234	16,396	19,626	22,909
Accruals and other payables	<u>12,526</u>	<u>21,761</u>	<u>20,954</u>	<u>22,358</u>	<u>23,765</u>
	<u>45,402</u>	<u>74,529</u>	<u>60,525</u>	<u>87,630</u>	<u>84,490</u>

Note: The balances represent retention payables to subcontractors which are interest-free and payable at the end of the defect liability period of individual contracts. All retention payables are expected to be settled within one year based on the expiry date of the defect liability period.

Included in accruals and other payables of the Group as at 31 March 2016, 2017, 2018, 2019 and 2020 were amounts due to partners of joint operations of approximately Nil, HK\$1,046,000, HK\$4,800,000, HK\$4,802,000 and HK\$6,902,000, respectively.

The credit period granted to the Group by its suppliers and subcontractors in general ranges from 30 to 60 days. The ageing analysis of the Group's trade payables below is presented based on the invoice date at the end of each reporting period:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
0-30 days	13,061	23,136	18,072	29,318	30,026
31-60 days	5,577	7,789	518	12,565	3,788
61-90 days	1,914	1,322	1,723	1,013	1,686
Over 90 days	2,597	5,287	2,862	2,750	2,316
	<u>23,149</u>	<u>37,534</u>	<u>23,175</u>	<u>45,646</u>	<u>37,816</u>

23. BORROWINGS

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Bank overdrafts, secured	–	–	–	7,121	11,749
Bank loans, secured	–	–	–	13,434	11,288
	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,555</u>	<u>23,037</u>
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable based on scheduled repayment dates set out in the loan agreements:					
Within one year	–	–	–	7,144	6,920
More than one year but not exceeding two years	–	–	–	6,290	657
More than two years but not exceeding five years	–	–	–	–	2,137
Over five years	–	–	–	–	1,574
	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,434</u>	<u>11,288</u>

Bank overdrafts

As at 31 March 2019 and 2020, bank overdrafts bore interest at variable market rate of 2.25% per annum over 1 month Hong Kong Interbank Offered Rate ("HIBOR"). As at 31 March 2019 and 2020, the bank overdrafts were secured by pledged bank deposits of approximately HK\$8,078,000 and HK\$8,000,000 and unlimited personal guarantee granted by Mr. Tsui Kai Kwong, a director of the Company.

Bank loans

As at 31 March 2019 and 2020, bank loans bore interest at fixed interest rate of 3.63% and 3.63% to 4% per annum, respectively. As at 31 March 2019 and 2020, the bank loans were secured by unlimited personal guarantee granted by Mr. Tsui Kai Kwong, a director of the Company.

The related loan agreement for the bank loans contains a repayment on demand clause which gives the lender the unconditional right to call the loan at any time.

24. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Analysed for reporting purposes as:				
Current liabilities	97	118	162	270
Non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>151</u>
	<u>97</u>	<u>118</u>	<u>162</u>	<u>421</u>

The Group leased its motor vehicles under finance leases. The lease term is from 1 to 3 years and the remaining lease term is within 1 to 2 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates at 1.95%, 2%, 3.25% and ranging from 2.5% to 3.5% per annum as at 31 March 2016, 2017, 2018 and 2019, respectively. No arrangements have been entered into for contingent rental payments.

As at 31 March 2016, 2017, 2018 and 2019, the total future minimum lease payments under finance leases and their present values were as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Total minimum lease payments				
Within one year	98	119	164	285
After one year but within two years	–	–	–	118
After two years but within five years	<u>–</u>	<u>–</u>	<u>–</u>	<u>39</u>
	98	119	164	442
Future finance charges on finance leases	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(21)</u>
Present value of finance lease liabilities	<u>97</u>	<u>118</u>	<u>162</u>	<u>421</u>
Present value of minimum lease payments				
Within one year	97	118	162	270
After one year but within two years	–	–	–	112
After two years but within five years	<u>–</u>	<u>–</u>	<u>–</u>	<u>39</u>
	97	118	162	421
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(97)</u>	<u>(118)</u>	<u>(162)</u>	<u>(270)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>	<u>–</u>	<u>151</u>

25. LEASE LIABILITIES

	As at 31 March 2020 HK\$'000
Analysed for reporting purposes as:	
Current liabilities	<u>214</u>
	As at 31 March 2020 HK\$'000
Lease liabilities payable:	
Within one year	<u>216</u>
	216
Future finance charges on lease liabilities	<u>(2)</u>
	214
Present value of lease liabilities	<u>214</u>

The Group leases certain properties as office and workshop. The incremental borrowing rates applied ranged at 3.90% per annum. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

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.

The lease agreements did not contain any contingent rent nor purchase option for the leasee.

26. COMBINED CAPITAL

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Combined capital	<u>14,820</u>	<u>14,820</u>	<u>20,910</u>	<u>2</u>	<u>2</u>

The Reorganisation has not been completed as at 31 March 2020. For the purpose of this Historical Financial Information, the combined capital in the combined statements of financial position as at 31 March 2016, 2017 and 2018 represents the aggregate of the paid-up capital of the subsidiaries now comprising the Group held by the Controlling Shareholder of the Company. As at 31 March 2019 and 2020, the combined capital represents the aggregate of the paid-up capital of the Company, Lion Brave, Sheen Cedar and Lofty Wisdom hold by the Controlling Shareholder of the Company.

On 7 October 2015, Richwell Engineering resolved to increase its issued share capital by allotting 2,000,000 ordinary shares at HK\$1 each to Mr. Tsui Kai Kwong. The allotment has resulted in an increase in its share capital by HK\$2,000,000.

On 19 February 2016, Richwell Engineering resolved to increase its issued share capital by allotting 2,700,000 ordinary shares at HK\$1 each to Mr. Tsui Kai Kwong. The allotment has resulted in an increase in its share capital by HK\$2,700,000.

On 8 February 2018, Richwell CE resolved to increase its issued share capital by allotting 5,190,000 ordinary shares at HK\$1 each to Mr. Tsui Kai Kwong. The allotment has resulted in an increase in its share capital by HK\$5,190,000.

On 8 February 2018, Richwell Engineering resolved to increase its issued share capital by allotting 900,000 ordinary shares at HK\$1 each to Mr. Tsui Kai Kwong. The allotment has resulted in an increase in its share capital by HK\$900,000.

On 4 May 2018, Richwell CE resolved to increase its issued share capital by allotting 4,000,000 ordinary shares at HK\$1 each to Mr. Tsui Kai Kwong. The allotment has resulted in an increase in its share capital by HK\$4,000,000.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 31 July 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one fully paid share was allotted and issued to the initial subscriber pursuant to the memorandum and articles of association of the Company, which was subsequently transferred to New Brilliance Enterprises Limited (“New Brilliance”), a company wholly-owned by Mr. Tsui Kai Kwong, on the same day.

On 21 November 2018, Lion Brave resolved to increase its issued share capital by allotting 99 ordinary shares at US\$1 each to Mr. Tsui Kai Kwong pursuant to the Reorganisation. The allotment has resulted in an increase in its share capital by US\$99 (equivalent to approximately HK\$1,000).

On 21 November 2018, Sheen Cedar resolved to increase its issued share capital by allotting 99 ordinary shares at US\$1 each to Mr. Tsui Kai Kwong pursuant to the Reorganisation. The allotment has resulted in an increase in its share capital by US\$99 (equivalent to approximately HK\$1,000).

On 21 November 2018, Lofty Wisdom resolved to increase its issued share capital by allotting 99 ordinary shares at US\$1 each to Mr. Tsui Kai Kwong pursuant to the Reorganisation. The allotment has resulted in an increase in its share capital by US\$99 (equivalent to approximately HK\$1,000).

27. RESERVES

The Company

Movements of the reserve of the Company:	Accumulated losses HK\$'000
As at 31 July 2018 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(17,941)</u>
As at 31 March 2019	(17,941)
Loss and total comprehensive expense for the year	<u>(3,613)</u>
As at 31 March 2020	<u><u>(21,554)</u></u>

The Group

Other reserve represents the difference between the nominal value of the shares issued by Lion Brave, Lofty Wisdom and Sheen Cedar and the aggregate amount of the nominal value of the share capital of Richwell Engineering, Richwell CE and Time Concept held by the Controlling Shareholder which were acquired under the Reorganisation.

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2016, 2017, 2018 and 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Within one year	840	861	2,622	993
In the second to fifth years inclusive	<u>180</u>	<u>645</u>	<u>511</u>	<u>43</u>
	<u><u>1,020</u></u>	<u><u>1,506</u></u>	<u><u>3,133</u></u>	<u><u>1,036</u></u>

Operating lease payments represented rentals payable by the Group for certain of its offices and workshop. Leases were negotiated for terms ranging from 1 to 3 years and rentals were fixed over the lease terms and no contingent rent provision was included in the contract.

The Group adopted HKFRS 16 on 1 April 2019, details of the Group's leases under HKFRS 16 are set out in Notes 16 and 25.

29. CAPITAL COMMITMENT

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the combined financial statements	—	—	—	—	4,018

30. RETIREMENT BENEFIT PLAN

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. Contributions from employers and employees are 5% each of the employee’s relevant income. The maximum mandatory contribution per employee is HK\$1,500 per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the contribution to retirement benefit scheme arising from the MPF Scheme charged to profit or loss is approximately HK\$2,689,000, HK\$3,111,000, HK\$3,504,000, HK\$3,185,000 and HK\$3,958,000, respectively.

31. JOINT OPERATIONS

As at 31 March 2016, 2017, 2018, 2019 and 2020, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of operation	Attributable interests to the Group					Principal activities
			As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at 31 March 2020	
Leader Civil-Richwell Engineering Joint Venture (Note (b))	Unincorporated	Hong Kong	45%	45%	45%	45%	45%	Civil engineering
Leader Civil-Richwell Engineering Joint Venture (Note (a))	Unincorporated	Hong Kong	96%	96%	96%	96%	96%	Civil engineering
Leader Civil-Richwell Engineering Joint Venture (Note (b))	Unincorporated	Hong Kong	49%	49%	49%	49%	49%	Civil engineering
Build King-Richwell Engineering Joint Venture (Note (b))	Unincorporated	Hong Kong	49%	49%	49%	49%	49%	Civil engineering
Build King-Richwell Engineering Joint Venture (Note (b))	Unincorporated	Hong Kong	—	40%	40%	40%	40%	Civil engineering
Build King-Richwell Engineering Joint Venture (Note (b))	Unincorporated	Hong Kong	—	—	—	—	30%	Civil engineering

The directors of the Company are of the view that entering into above joint operations act as an important marketing and expanding strategy in developing its construction businesses. For the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the Group's revenue included amounts derived through the entering into of these joint operations of approximately HK\$103,294,000, HK\$140,247,000, HK\$175,960,000 and HK\$176,674,000 and HK\$131,914,000, respectively.

Significant judgement: classification of joint arrangements

The joint arrangements constituted in relation to the above joint operations are in the form of integrated joint venture or consortium under contractual agreements to perform construction works under the contracts with the employers. The joint operators have direct rights to the assets of the joint operations and are jointly and severally liable for the liabilities incurred by the joint operations. The contractual arrangements provided that major decisions over relevant financial and operating activities of the above joint operations require the unanimous consent of the parties to the joint arrangements, hence these parties controlled the arrangements collectively. These joint arrangements are therefore classified as joint operations, and the Group recognises in relation to its interests in a joint operation its direct right to the jointly held assets, liabilities, revenues and expenses.

Notes:

- (a) The joint operation is jointly controlled by the Group and another joint operator that controls the arrangement collectively. Hence, it is accounted for as a joint operation even though the Group's interests is more than 50%.
- (b) The Group has joint control over, and not significant influence, over the joint operation even though the Group's interests held in the joint operation is 20% or more but less than 50%.

32. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the Historical Financial Information, the Group entered into the following transactions with a related party on terms mutually agreed by the contracting parties during the Track Record Period:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Rental expenses/short-term lease expenses recognised by the Group:					
Fame Most Limited	780	801	802	588	1,152

Compensation of key management personnel

The emoluments of directors and other members of key management during the Track Record Period were as follows:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2020 HK\$'000
Short-term benefits	5,897	5,744	6,261	7,582	8,683
Post-employment benefits	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>
	<u>6,005</u>	<u>5,852</u>	<u>6,369</u>	<u>7,690</u>	<u>8,791</u>

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

34. FINANCIAL INSTRUMENTS

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000	As at 31 March 2020 HK\$'000
Financial assets					
– Loans and receivables (including bank balances and cash)	91,411	120,417	113,441	N/A	N/A
– Amortised cost	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>133,578</u>	<u>158,645</u>
Financial liabilities					
– Amortised cost	<u>45,499</u>	<u>74,647</u>	<u>62,912</u>	<u>127,242</u>	<u>109,939</u>

Financial risk management objectives and policies

The Group's financial instruments included trade receivables, other receivables and deposits, amount due from a director, amount due from a related company, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a director, borrowings, obligations under finance leases and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments 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**(i) Currency risk**

During the Track Record Period, the majority of the Group's transactions and balances as at and for the Track Record Period were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Cash flow interest rate risk

The Group is mainly exposed to cash flow interest rate risk related primarily to variable-rate bank balances and bank overdrafts. The Group currently does not have any interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's bank overdrafts. If the interest rate had been 50 basis points higher/lower for bank overdrafts and all other variables were held constant at the end of each reporting period, the Group's profit before income tax for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 would decrease/increase by approximately Nil, Nil, Nil, HK\$36,000 and HK\$59,000, respectively.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, contract assets, other receivables and deposits, amount due from a director, amount due from a related company, bank balances and pledged bank deposits.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The management of the Group is of the opinion that the credit risks of trade receivables arising from contract income is not significant as these are due from creditworthy customers with no history of defaults.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors comprised 92%, 71%, 83%, 47% and 70% of the Group's trade receivables and the top five debtors comprised 100%, 98%, 94%, 69% and 84% of the Group's trade receivables as stated in Note 18 as at 31 March 2016, 2017, 2018, 2019 and 2020, respectively. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on trade receivables, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts on trade receivables and contract assets. Under HKAS 39, impairment losses are made for irrecoverable amounts.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9 which permits the use of the lifetime ECL for trade receivables and contract assets. To measure the ECL of trade receivables, the trade receivables have been grouped based on shared credit risk characteristic. Based on historical experience of the Group, the contract assets are generally recoverable due to the long term/on-going relationship and good repayment record, the additional ECL of contract assets was insignificant. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The credit risk for bank balances and pledged bank deposits is considered not significant as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

The table below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – 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	Amount is written off

The tables below detail the credit risk assessment exposures of the Group's financial assets which are subject to ECL assessment:

As at 31 March 2019	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts (HK\$'000)	Average expected credit loss rate
Financial assets at amortised cost				
Trade receivables	Low risk	Lifetime ECL (provision matrix)	83,251	0.33%
	Loss	Lifetime ECL credit-impaired	1,075	100%
Other receivables and deposits	Low risk	12-month ECL	6,281	N/A
Pledged bank deposits	Low risk	12-month ECL	10,300	N/A
Bank balances	Low risk	12-month ECL	33,999	N/A
Other item				
Contract assets	Low risk	Lifetime ECL	75,955	N/A
As at 31 March 2020				
	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts (HK\$'000)	Average expected credit loss rate
Financial assets at amortised cost				
Trade receivables	Low risk	Lifetime ECL (provision matrix)	72,472	0.01%
	Loss	Lifetime ECL credit-impaired	754	100%
Other receivables and deposits	Low risk	12-month ECL	15,412	N/A
Pledged bank deposits	Low risk	12-month ECL	10,454	N/A
Bank balances	Low risk	12-month ECL	60,374	N/A
Other item				
Contract assets	Low risk	Lifetime ECL	72,198	N/A

Notes:

- 1) For trade receivables and contract assets, the Group has applied the simplified approach in accordance with HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on those balances by using a provision matrix.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its construction works because these customers consist of a number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade receivables of gross carrying amounts of approximately HK\$83,251,000 and HK\$72,472,000 and contract assets of approximately HK\$75,955,000 and HK\$72,198,000 as at 31 March 2019 and 2020, respectively are assessed based on provision matrix within lifetime ECL (not credit impaired), and trade receivables of gross carrying amounts approximately HK\$1,075,000 and HK\$754,000 as at 31 March 2019 and 2020, respectively are assessed individually within lifetime ECL (credit-impaired).

The following table shows reconciliation of loss allowance that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 31 March 2018 under HKAS 39	–	1,075	1,075
Adjustment upon application of HKFRS 9	<u>233</u>	<u>–</u>	<u>233</u>
As at 1 April 2018	233	1,075	1,308
Changes due to financial instrument recognised as at 1 April 2018:			
– Impairment loss reversed	(233)	–	(233)
New financial assets originated	<u>279</u>	<u>–</u>	<u>279</u>
As at 31 March 2019 and 1 April 2019	279	1,075	1,354
Changes due to financial instrument recognised as at 1 April 2019:			
– Impairment loss reversed	(279)	–	(279)
Write-offs	–	(321)	(321)
New financial assets originated	<u>67</u>	<u>–</u>	<u>67</u>
As at 31 March 2020	<u><u>67</u></u>	<u><u>754</u></u>	<u><u>821</u></u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

- 2) For other receivables and deposits, the Group measures the loss allowance equal to 12-month ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on other receivables and deposits is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no loss allowance is made on these balances.
- 3) Pledged bank deposits and bank balances are deposited with financial institutions with high credit rating and are considered low credit risk financial assets. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of high-credit ratings. Therefore, no loss allowance is made on these balances.

Liquidity risk

In the management of the liquidity risk, the management of the Group monitors and maintains a level of bank balances and cash and pledged bank deposits deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

As at 31 March 2016, 2017, 2018, 2019 and 2020, the Group has available unutilised overdraft and bank loan facilities of approximately Nil, Nil, Nil, HK\$4,897,000 and HK\$15,306,000, respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans and bank overdrafts with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interests and principal cash flows where applicable. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate	On demand or within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Non-derivative financial liabilities					
As at 31 March 2016					
Trade and other payables	–	45,402	–	45,402	45,402
Obligations under finance leases	1.95%	98	–	98	97
		<u>45,500</u>	<u>–</u>	<u>45,500</u>	<u>45,499</u>
As at 31 March 2017					
Trade and other payables	–	74,529	–	74,529	74,529
Obligations under finance leases	2%	119	–	119	118
		<u>74,648</u>	<u>–</u>	<u>74,648</u>	<u>74,647</u>
As at 31 March 2018					
Trade and other payables	–	60,525	–	60,525	60,525
Amount due to a director	–	2,225	–	2,225	2,225
Obligations under finance leases	3.25%	164	–	164	162
		<u>62,914</u>	<u>–</u>	<u>62,914</u>	<u>62,912</u>

	Weighted average effective interest rate	On demand or within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
As at 31 March 2019					
Trade and other payables	–	87,630	–	87,630	87,630
Borrowings					
– Bank overdrafts	3.92%	7,387	–	7,387	7,121
– Bank loans, fixed rate	3.63%	13,928	–	13,928	13,434
Amount due to a director	–	18,636	–	18,636	18,636
Obligations under finance leases	3.02%	285	157	442	421
		<u>127,866</u>	<u>157</u>	<u>128,023</u>	<u>127,242</u>

	Weighted average effective interest rate	On demand or within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
As at 31 March 2020					
Trade and other payables	–	84,490	–	84,490	84,490
Borrowings					
– Bank overdrafts	4.86%	12,320	–	12,320	11,749
– Bank loans, fixed rate	3.79%	11,716	–	11,716	11,288
Amount due to a director	–	2,198	–	2,198	2,198
Lease liabilities	3.90%	216	–	216	214
		<u>110,940</u>	<u>–</u>	<u>110,940</u>	<u>109,939</u>

Bank loans with a repayable on demand clause are included in “on demand or within one year” time band in the above maturity analysis. As at 31 March 2016, 2017, 2018, 2019 and 2020, the approximately aggregated amounts of these bank loans amounted to Nil, Nil, Nil, HK\$13,434,000 and HK\$11,288,000, respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in Note 23.

Fair value

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 to their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Amount due to a director HK\$'000	Dividend payables HK\$'000	Obligations under finance leases HK\$'000	Lease liabilities HK\$'000	Bank loans HK\$'000	Total HK\$'000
As at 1 April 2015	-	-	1,506	-	-	1,506
Financing cash flows	-	(10,000)	(1,946)	-	-	(11,946)
Addition of obligations under finance leases	-	-	500	-	-	500
Dividends declared	-	10,000	-	-	-	10,000
Interest expense	-	-	37	-	-	37
As at 31 March 2016 and 1 April 2016	-	-	97	-	-	97
Financing cash flows	-	-	(184)	-	-	(184)
Non-financing cash flows	-	(20,000)	-	-	-	(20,000)
Addition of obligations under finance leases	-	-	200	-	-	200
Dividends declared	-	20,000	-	-	-	20,000
Interest expense	-	-	5	-	-	5
As at 31 March 2017 and 1 April 2017	-	-	118	-	-	118
Financing cash flows	2,225	-	(447)	-	-	1,778
Addition of obligations under finance leases	-	-	476	-	-	476
Interest expense	-	-	15	-	-	15
As at 31 March 2018 and 1 April 2018	2,225	-	162	-	-	2,387
Financing cash flows	16,411	(28,000)	(341)	-	13,377	1,447
Addition of obligations under finance leases	-	-	580	-	-	580
Dividends declared	-	28,000	-	-	-	28,000
Interest expense	-	-	20	-	57	77
As at 31 March 2019	18,636	-	421	-	13,434	32,491
Impact of initial application of HKFRS 16	-	-	(421)	1,109	-	688
Adjusted balance as at 1 April 2019	18,636	-	-	1,109	13,434	33,179
Financing cash flows	(16,438)	-	-	(927)	(2,508)	(19,873)
Interest expense	-	-	-	32	362	394
As at 31 March 2020	2,198	-	-	214	11,288	13,700

36. MAJOR NON-CASH TRANSACTIONS

Dividends declared by a subsidiary of the Company during the year ended 31 March 2017 amounting to HK\$20,000,000 were settled against the amount due from a director.

37. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events are detailed as follows:

- (a) The Reorganisation as set out in Note 2 to the Historical Financial Information was completed on 21 September 2020.
- (b) The Company adopted a share option scheme on 21 September 2020, a summary of the terms and conditions of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV “Statutory and General Information” to the Prospectus.
- (c) On 21 September 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$100,000,000 divided by 10,000,000,000 ordinary shares of par value HK\$0.01 each by the creation of an additional of 9,962,000,000 ordinary shares of par value HK\$0.01 each, ranking *pari passu* with the existing shares in all respects.
- (d) Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. Up to the date of approval of the Historical Financial Information, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of approval, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated at this stage. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (e) On 31 May 2020, certain subsidiaries of the Group declared interim dividends in an aggregate amount of HK\$18,000,000 to their then shareholders and the interim dividends were settled by cash on the same date.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2020.

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the five years ended 31 March 2020 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 March 2020, as if the Share Offer had taken place on 31 March 2020.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 31 March 2020 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 HK\$'000 (Note 1)	Add: Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.325 per Share	<u>111,961</u>	<u>80,283</u>	<u>192,244</u>	<u>0.12</u>
Based on the Offer Price of HK\$0.34 per Share	<u>111,961</u>	<u>84,603</u>	<u>196,564</u>	<u>0.12</u>

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company as of 31 March 2020 is extracted from the Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$111,961,000.
2. The estimated net proceeds from the Share Offer are based on 320,000,000 new Shares at the indicative Offer Price of HK\$0.325 and HK\$0.34 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$21,554,000 listing-related expenses which have been accounted for prior to 31 March 2020). 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 options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the directors to allot and issue or repurchase Shares referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in the section headed "Share Capital" in this prospectus.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 1,600,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2020). It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate granted to the directors to allot and issue or repurchase Share referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in the section headed "Share Capital" in this prospectus.
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to 31 March 2020.
5. The unaudited pro forma adjusted net tangible assets of our Group does not take into account of the dividend of HK\$18,000,000 declared on 31 May 2020. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets of our Group would decrease to approximately HK\$174,244,000 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$178,564,000 assuming an Offer Price of HK\$0.34 per Share and the unaudited pro forma adjusted net tangible assets of our Group per Share would decrease to approximately HK\$0.11 assuming an Offer Price of HK\$0.325 per Share, and approximately HK\$0.11 assuming an Offer Price of HK\$0.34 per Share.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF LANDRICH HOLDING LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Landrich Holding Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2020 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 30 September 2020 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A 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 share offer of the Company (the “**Share Offer**”) on the Group’s financial position as at 31 March 2020 as if the Share Offer had taken place at 31 March 2020. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the five years ended 31 March 2020, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing 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 (“**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 the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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' Responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting 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 4.29 of the Listing 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 the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2020 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' judgement, 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 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited*Certified Public Accountants***Chan Ching Pang**

Practising Certificate Number: P05746

Hong Kong, 30 September 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2018 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 21 September 2020 and become effect on the 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 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) resigns;
- (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) 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 goes 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 benefit 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 benefit 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 the 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 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 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 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 31 July 2018 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 the 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 appreciations 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 the 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 13 August 2018.

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, our Company's legal adviser on Cayman Islands law, has sent to our 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 to the Registrar of Companies in Hong Kong and available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**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 31 July 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 September 2018 and our principal place of business in Hong Kong is at Unit 2808, 28th Floor, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. CFN Lawyers in association with Broad & Bright of Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. One (1) fully-paid Share was allotted and issued to the initial subscriber on 31 July 2018, which was subsequently transferred to New Brilliance on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued shares of Lion Brave, Sheen Cedar and Lofty Wisdom from New Brilliance on 21 September 2020, 9,999 Shares were allotted and issued to New Brilliance credited as fully paid.
- (c) On 21 September 2020, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of 9,962,000,000 additional Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,600,000,000 Shares will be issued fully paid or credited as fully paid, and 8,400,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 21 September 2020” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (f) Save as disclosed in the section headed “Share Capital” in this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 21 September 2020

On 21 September 2020, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company conditionally approved and adopted the Memorandum and the Articles, which will become effective from the Listing Date;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by creation of an additional 9,962,000,000 Shares of par value HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, 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 our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$12,799,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 1,279,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 21 September 2020 (as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (f) the Repurchase Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraphs headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in paragraph headed “Corporate reorganisation” above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 21 September 2020, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or 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 representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue after completion of the Share Offer, could accordingly result in up to 160,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised 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 Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and Lion Brave Group Limited as purchaser for the sale and purchase of 15,700,000 shares in the issued share capital of Richwell Engineering Limited (顯豐工程有限公司) in consideration of which Lion Brave Group Limited allotted and issued 99 shares, credited as fully-paid, to Tsui Kai Kwong;
- (b) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and Sheen Cedar Investments Limited as purchaser for the sale and purchase of 9,200,000 shares in the issued share capital of Richwell Civil Engineering Limited (顯豐土木工程有限公司) in consideration of which Sheen Cedar Investments Limited allotted and issued 99 shares, credited as fully-paid, to Tsui Kai Kwong;
- (c) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and Lofty Wisdom Holdings Limited as purchaser for the sale and purchase of 10,000 shares in the issued share capital of Time Concept Construction Limited (時創建設工程有限公司) in consideration of which Lofty Wisdom Holdings Limited allotted and issued 99 shares, credited as fully-paid, to Tsui Kai Kwong;
- (d) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and New Brilliance Enterprises Limited as purchaser for the sale and purchase of 100 issued shares in the share capital of Lion Brave Group Limited in consideration of which New Brilliance Enterprises Limited allotted and issued 33 shares, credited as fully-paid, to Tsui Kai Kwong;
- (e) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and New Brilliance Enterprises Limited as purchaser for the sale and purchase of 100 issued shares in the share capital of Lofty Wisdom Holdings Limited (遠志控股有限公司) in consideration of which New Brilliance Enterprises Limited allotted and issued 33 shares, credited as fully-paid, to Tsui Kai Kwong;
- (f) an agreement dated 21 November 2018 entered into between Tsui Kai Kwong as vendor and New Brilliance Enterprises Limited as purchaser for the sale and purchase of 100 issued shares in the share capital of Sheen Cedar Investments Limited (耀柏投資有限公司) in consideration of which New Brilliance Enterprises Limited allotted and issued 33 shares, credited as fully-paid, to Tsui Kai Kwong;
- (g) a share swap deed dated 21 September 2020 entered into between (i) New Brilliance Enterprises Limited; (ii) Tsui Kai Kwong and (iii) Landrich Holding Limited (譽樂豐控股有限公司) in relation to the transfer of 100 shares in each of Lion Brave Group Limited, Sheen Cedar Investments Limited and Lofty Wisdom Holdings Limited to Landrich Holding Limited;

- (h) the Deed of Non-competition dated 21 September 2020 given by (i) New Brilliance Enterprises Limited and (ii) Tsui Kai Kwong in favour of Landrich Holding Limited (譽樂豐控股有限公司)(for itself and on behalf of its subsidiaries), details of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertakings” in this prospectus;
- (i) the Deed of Indemnity dated 21 September 2020 given by (i) New Brilliance Enterprises Limited; and (ii) Tsui Kai Kwong in favour of Landrich Holding Limited (譽樂豐控股有限公司)(for itself and on behalf of its subsidiaries) containing the indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in this appendix; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong, which in the opinion of our Directors are material to our business:

Trademark	Class	Trademark Number	Duration	Registered Owner
^(a) RICHWELL ^(b) richwell ^(c) Richwell	25 and 37	304364226	12 December 2017 – 11 December 2027	Richwell Engineering
^(a)  ^(b) 	16, 25 and 37	304364244	12 December 2017 – 11 December 2027	Richwell Engineering
^(a)  RICHWELL ^(b)  RICHWELL ^(c)  Richwell ^(d)  richwell	25 and 37	304364280	12 December 2017 – 11 December 2027	Richwell Engineering
^(a)  ^(b) 	16, 25 and 37	304364307	12 December 2017 – 11 December 2027	Richwell Engineering
^(a)  RICHWELL ^(b)  RICHWELL ^(c)  Richwell ^(d)  richwell	25 and 37	304364361	12 December 2017 – 11 December 2027	Richwell Engineering
^(a) 顯豐 ^(b) 顯豐 ^(c) 显丰	16, 25 and 37	304364389	12 December 2017 – 11 December 2027	Richwell Engineering

Trademark	Class	Trademark Number	Duration	Registered Owner
(A) RICHWELL 顯 豐 (B) RICHWELL 显丰 (C) Richwell 顯 豐 (D) Richwell 显丰	25 and 37	304364398	12 December 2017 – 11 December 2027	Richwell Engineering
(A)  顯 豐 (B)  顯 豐 (C)  显丰 (D)  显丰	16, 25 and 37	304364415	12 December 2017 – 11 December 2027	Richwell Engineering
(A)  顯 豐 (B)  顯 豐 (C)  显丰 (D)  显丰	16, 25 and 37	304364451	12 December 2017 – 11 December 2027	Richwell Engineering
(A)  <small>顯豐工程</small> (B)  <small>顯豐工程</small> (C)  <small>显丰工程</small> (D)  <small>显丰工程</small>	16, 25 and 37	304364460	12 December 2017 – 11 December 2027	Richwell Engineering

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain Name	Registrant	Expiry date
www.landrich.com.hk	Richwell Engineering	9 November 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature	Number of Shares held/ Interested <i>(Note 1)</i>	Percentage of interest
Mr. KK Tsui <i>(Note 2)</i>	Interest in a controlled corporation	1,200,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. KK Tsui beneficially owns the entire issued share capital of New Brilliance. Therefore, Mr. KK Tsui is deemed, or taken to be, interested in all the Shares held by New Brilliance for the purpose of the SFO. Mr. KK Tsui is the sole director of New Brilliance.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who 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	Capacity/Nature of interest	Number of Shares held/ interested <i>(Note 1)</i>	Percentage of interest
New Brilliance	Beneficial Owner	1,200,000,000	75%
Ms. Wong <i>(Note 2)</i>	Interest of spouse	1,200,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Wong is the spouse of Mr. KK Tsui. Therefore, Ms. Wong is deemed to be or taken to be, interested in the same number of Shares in which Mr. KK Tsui is interested for the purpose of the SFO.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$2,877,000, HK\$2,795,000, HK\$3,117,000, HK\$3,867,000 and HK\$4,732,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2021 will be approximately HK\$4,399,000.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Director(s)

Mr. Tsui Kai Kwong	1,920,000
Mr. Tsui Tsz Yeung Ian	1,380,000
Ms. Tsui Wai Yeung Janis	852,000

Independent non-executive Directors

Mr. Lee Yan Kit	180,000
Mr. Lee Kin Kee	180,000
Mr. Kwong Ping Man	180,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Fees or commission received

In connection with the Share Offer, the Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of our Company's consolidated audited financial results for the full financial year after the Listing Date and the Underwriters will receive an underwriting commission of 10% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling commissions. For details, please refer to the section headed "Underwriting" in this prospectus. None of our Directors or other experts named in the paragraph headed "7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 31 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

- (b) none of our Directors or the experts named in the paragraph headed “7. Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date 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;
- (c) none of our Directors or the experts named in the paragraph headed “7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest 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, or who will be interested, directly or indirectly, 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;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, 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 any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) 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, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	21 September 2020, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities

“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 21 September 2020:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days from and inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) **Maximum number of Shares**

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10 % of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate 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 any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) **Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted 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 Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules);
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules); and
 - (c) ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion see fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (i) of the sub-section headed “B. Further Information about our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and for and on behalf of our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 March 2020 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims and litigations. For details, please refer to the section headed “Business – Litigation and potential claims” in this prospectus. As at the Latest Practicable Date, no member of our Group was engaged in any other litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$8.0 million to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Legal advisers to our Company as to the Cayman Islands law
Ipsos Asia Limited	Market research consultant
Sam K. M. Ng CPA Limited	Internal control consultant

7. Consents of experts

Each of Frontpage Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Ipsos Asia Limited, and Sam K. M. Ng CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. 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.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer 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 our 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 our Shares. It is emphasised that none of our Company, our Directors or other 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.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Ocorian Trust (Cayman) Limited and a branch register of members of our Company in Hong Kong will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up).

12. Particulars of the Vendor

The particulars of the Vendor are set out as follows:

New Brilliance

Name	:	New Brilliance Enterprises Limited
Description	:	A company incorporated in the BVI with limited liability on 2 January 2018
Registered Address	:	3rd Floor, J & C Building, Road Town, Tortola, British Virgins Islands, VG1110
Shareholder	:	Wholly-owned by Mr. KK Tsui
Number of Sale Shares to be sold	:	80,000,000

13. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
- (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

Save for the interests and obligations under the Underwriting Agreements as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “7. Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

- (c) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (d) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) Our Group has no outstanding convertible debt securities.
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (h) The English text of this prospectus shall prevail over the Chinese text.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

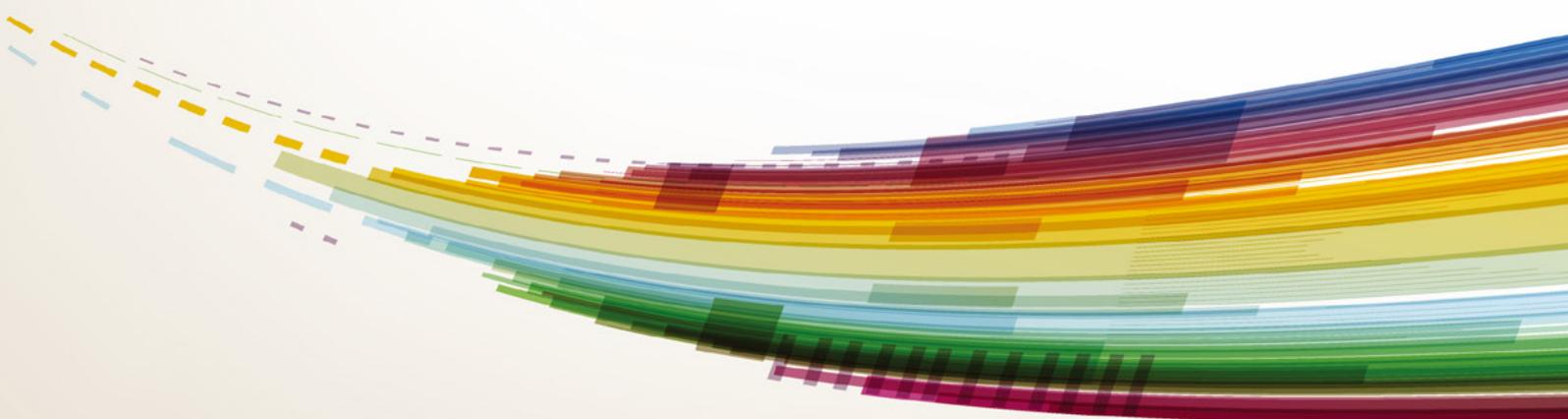
The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for the inspection at the office of CFN Lawyers in association with Broad & Bright at Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report from HLB Hodgson Impey Cheng Limited in respect of the historical financial information for the years ended 31 March 2016, 2017, 2018, 2019 and 2020, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II of this prospectus;
- (d) the audited consolidated financial statements of the companies comprising our Group for the years ended 31 March 2016, 2017, 2018, 2019 and 2020;
- (e) the Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the section headed “Statutory and General Information – B. Further information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (i) the rules of the Share Option Scheme referred to in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus;
- (j) the service agreements of our Directors referred to in the section headed “Statutory and General Information – C. Further information about substantial shareholders, directors and experts – Particulars of service agreements” in Appendix IV to this prospectus;
- (k) a statement of particulars of the Vendor;
- (l) the internal control report prepared by Sam K. M. Ng CPA Limited; and
- (m) the industry report issued by Ipsos Asia Limited.



LANDRICH HOLDING LIMITED
譽樂豐控股有限公司