YUE KAN HOLDINGS LIMITED
裕勤控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2110

SHARE OFFER

Sole Sponsor

紅日資本有限公司
RED SUN CAPITAL LIMITED

Joint Bookrunners

中佳證券有限公司
Zhong Jia Securities Limited

Sinomax Securities Ltd.
佳富達證券

Joint Lead Managers

雅利多證券
ARISTO SECURITIES LIMITED

潮商證券有限公司
ChaoShang Securities Limited
SFC Licensed Corporation (CE No.: BGH629)

結好證券有限公司
GET NICE SECURITIES LIMITED

聯合證券
Head & Shoulders Securities

利弗莫尔证券
Livermore Holdings Limited

漢英證券
RED EAGLE SECURITIES

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

YUE KAN HOLDINGS LIMITED
裕勤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	**:**	**556,000,000 Shares**
Number of Public Offer Shares	**:**	**55,600,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**500,400,000 Shares (subject to reallocation)**
Maximum Offer Price	**:**	**Not more than HK$0.27 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	**:**	**2110**

Sole Sponsor

红日资本有限公司
RED SUN CAPITAL LIMITED

Joint Bookrunners

中佳證券有限公司 Zhong Jia Securities Limited

Sinomax Securities Ltd. 佳富達證券

Joint Lead Managers

雅利多證券 ARISTO SECURITIES LIMITED

潮商證券有限公司 ChaoShang Securities Limited

結好證券有限公司 GET NICE SECURITIES LIMITED

聯合證券 Head & Shoulders Securities

利弗莫尔证券 Livermore Holdings Limited

漢英證券 RED EAGLE SECURITIES

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 and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event no later than Monday, 30 November 2020. The Offer Price will be not more than HK$0.27 per Offer Share and is expected to be not less than HK$0.225 per Offer Share, unless otherwise announced.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our Company's consent, 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.yuekanholdings.com***. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 30 November 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 Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Bookrunners (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 paragraph headed "Underwriting – Public Offer underwriting arrangements, commissions and expenses – Public Offer – Grounds for termination" in this prospectus.

23 November 2020

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

Public Offer commences and **WHITE** and **YELLOW** Application Forms available from . . . . . 9:00 a.m. on Monday, 23 November 2020

Application lists for Public Offer open[2] . . . . . 11:45 a.m. on Friday, 27 November 2020

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Friday, 27 November 2020

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Friday, 27 November 2020

Application lists for Public Offer close[2] . . . . . 12:00 noon on Friday, 27 November 2020

Expected Price Determination Date[3] . . . . . Friday, 27 November 2020

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 (a) on the website of our Company at ***www.yuekanholdings.com***[5]; and (b) on the website of the Stock Exchange at ***www.hkexnews.hk*** on or before . . . . . Friday, 4 December 2020

Results of allocation in the Public Offer will be available at ***www.tricor.com.hk/ipo/result*** or ***www.hkeipo.hk/IPOResult*** with a "search by ID/Business Registration Number" function from	Friday, 4 December 2020
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)	Friday, 4 December 2020
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)	Friday, 4 December 2020
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Monday, 7 December 2020

The application for the Public Offer Shares will commence on Monday, 23 November 2020 through Friday, 27 November 2020. Such time period is longer than the normal market practice of four 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 Friday, 4 December 2020.

Prospective investors should be aware that the Price Determination Date is expected to be on or around Friday, 27 November 2020 and the dealings in Shares on the Stock Exchange are expected to commence on Monday, 7 December 2020.

Notes:

1. All times and dates refer to Hong Kong times and dates, unless otherwise stated.

2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 November 2020, the application lists will not open on that day. See "How to Apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists" in this prospectus.

3. The Price Determination Date is expected to be on or around Friday, 27 November 2020 and, in any event, not later than Monday, 30 November 2020. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 30 November 2020, the Share Offer will not proceed and will lapse immediately.

4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "How to Apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

5. Information contained on our Company's website does not form part of this prospectus.

6. Share certificates will only become valid at 8:00 a.m. on Monday, 7 December 2020 provided that the Share Offer has become unconditional and the right of termination described in the paragraph headed "Underwriting – Public Offer underwriting arrangements, commissions and expenses – 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.

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 at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 4 December 2020 or such other date as notified by our Company. 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 individual applicants 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 elect to 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 paragraph headed "How to Apply for Public Offer Shares – 13. Despatch/ Collection of Share certificates and refund monies – personal collection – (iv) If you apply via electronic application instructions to HKSCC" in 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 paragraph headed "How to Apply for Public Offer Shares – 12. Refund of application monies" and "How to Apply for 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 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.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. 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 a public offer of the Offer Shares or the distribution of this prospectus. 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 jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole 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 included in this prospectus must not be relied on by you as having been authorised by us, the Sole 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 or party involved in the Share Offer. Information contained in our Company's website, located at **www.yuekanholdings.com**, does not form part of this prospectus.*

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of 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. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OUR BUSINESS

Overview

We are a Hong Kong-based marine construction works subcontractor specialising in reclamation works and supplemented by our vessel chartering services and other civil engineering works during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we acted as a subcontractor in marine construction projects and other civil engineering projects. The marine construction works carried out by us included, among others (i) reclamation works; (ii) regulation and deposition of sand blanket works; (iii) submarine pipeline works; and (iv) sediment treatment works. With a view to supplementing our marine construction works, we also provided vessel chartering services to our customers where we chartered vessels for a specific period, and provided vessel crew for operation and management of the vessels if required by our customers. In addition, we were also engaged in other civil engineering works including foundation works, site formation works and roads and drainage works.

The following table sets forth the breakdown of our revenue by the type of services provided by us during the Track Record Period:

	For the year ended 31 May							
	2017		2018		2019		2020	
	Revenue HK\$'000	*% of total revenue*	*Revenue HK\$'000*	*% of total revenue*	*Revenue HK\$'000*	*% of total revenue*	*Revenue HK\$'000*	*% of total revenue*
Marine construction works	172,480	79.8	182,706	67.8	175,260	59.0	186,327	59.4
Vessel chartering services	32,180	14.9	82,302	30.5	23,781	7.9	3,597	1.2
Other civil engineering works	11,402	5.3	4,622	1.7	98,261	33.1	123,726	39.4
Total revenue	216,062	100.0	269,630	100.0	297,302	100.0	313,650	100.0

During the Track Record Period and up to the Latest Practicable Date, we have completed 27 projects involving marine construction and/or other civil engineering works with an aggregate initial contract sum of approximately HK$737.6 million. As at the Latest Practicable Date, we had 10 projects in progress, including five marine construction projects, four other civil engineering projects and one project involving both marine construction and other civil engineering works. For further details of our projects, please refer to the paragraph headed "Business – Our marine construction and other civil engineering projects" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we have completed 15 vessel chartering arrangements (excluding any one-off vessel chartering arrangements in which the vessel was chartered on a short-term basis and the requested charter period each time was less than a week) and recognised revenue of approximately HK$140.2 million during the Track Record Period. As at the Latest Practicable Date, we had three ongoing vessel chartering arrangements (excluding the aforesaid one-off vessel chartering arrangements) and the ongoing vessel chartering arrangements are expected to be completed in April 2021 and May 2022. The estimated revenue for our vessel chartering services to be recognised subsequent to the Track Record Period amounted to approximately HK$25.0 million.

Tenders and quotations

The following table sets out the number of tenders or quotations submitted for marine construction and other civil engineering projects, the number of successful tenders/quotations and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	2018	2019	2020 *(Note 2)*	*(Note 3)*
Number of tenders/quotations submitted	8	7	22	35	12
Number of successful tenders/quotations	7	5	11	12	1
Success rate (%) *(Note 1)*	87.5	71.4	50.0	34.3	8.3

Notes:

1. The number of successful tenders/quotations will fall into the year/period in which the corresponding tender/quotation was submitted.
2 Out of the total 35 tenders/quotations submitted during the year ended 31 May 2020, 21 tenders/quotations were unsuccessful, and two tenders/quotations were still under evaluation by our potential customers as at the Latest Practicable Date.
3. Out of the total 12 tenders/quotations submitted since 1 June 2020 and up to the Latest Practicable Date, three tenders/quotations were unsuccessful, and eight tenders/quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

The tender/quotation success rate of our Group for the years ended 31 May 2017 and 2018 were relatively high as we primarily focused our effort on tendering/providing quotations for marine construction projects and our Directors consider that our expertise in marine construction works and our special enclosed deposition method for reclamation works contributed to the high tender/quotation success rate. For the year ended 31 May 2019, our tender/quotation success rate dropped to 50% given our intention to focus our efforts on securing other civil engineering projects, whereby our Group's tendering and pricing strategy were to provide a price competitive tender/quotation primarily for other civil engineering projects and marine construction projects with relatively higher initial contract sum to enable us to effectively manage our resources. During the year ended 31 May 2020, we started to tender for main contractor projects and due to our limited resources and capacity, we adopted a strategic approach in pricing our tenders/quotations to maintain a good relationship with our customers and our tender/quotation success rate for the year ended 31 May 2020 decreased to approximately 34.3%. For the period between 1 June 2020 and up to the Latest Practicable Date, three of the tenders/quotations submitted were unsuccessful, out of which two were main contractors projects, further, as eight out of the 12 tenders/quotations submitted were still pending results as at the Latest Practicable Date, our tender/quotation success rate further decreased to approximately 8.3%. Please refer to the paragraph headed "Business – Business model and our operation" in this prospectus for further details on the fluctuations in our tender/quotation success rate during the Track Record Period and up to the Latest Practicable Date.

Project backlog

As at 31 May 2017, 2018, 2019, 2020 and the Latest Practicable Date, we had a total of five, four, nine, 16 and 11 projects in our backlog (representing projects awarded but not yet completed at the respective dates), respectively. Set out below are the tables showing the number of projects in backlog, completed and awarded to us during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate values:

(i) Marine construction works

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
Projects brought forward from prior year/period	1	4	4	6	9
Projects awarded during the year/period	6	4	8	8	1
Projects completed during the year/period	3	4	6	5	4
Projects carried forward to next year/period	4	4	6	9	6

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Outstanding aggregate contract value at the beginning of the year/period	16,000	81,150	15,696	92,605	199,605
Outstanding contract value of new projects and variation orders	237,630	117,252	252,169	293,327	48,980
Revenue recognised	(172,480)	(182,706)	(175,260)	(186,327)	(83,358)
Outstanding aggregate contract value at the end of the year/period	81,150	15,696	92,605	199,605	165,227

(ii) Other civil engineering works

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
Projects brought forward from prior year/period	–	1	–	3	7
Projects awarded during the year/period	1	–	4	6	–
Projects completed during the year/period	–	1	1	2	2
Projects carried forward to next year/period	1	–	3	7	5

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	2018	2019	2020	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Outstanding aggregate contract value at the beginning of the year/period	–	318	–	78,126	176,931
Outstanding contract value of new projects and variation orders	11,720	4,304	176,387	222,531	1,917
Revenue recognised	(11,402)	(4,622)	(98,261)	(123,726)	(58,432)
Outstanding aggregate contract value at the end of the year/period	318	–	78,126	176,931	120,416

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.
2. The completion date is based on our management's estimates according to the completion date specified in the practical completion certificate (if any), as set out in our record or with reference to the completion record issued by us.
3. For project 036 and project 057 where the projects consist of both marine construction and other civil engineering works in one contract awarded, the projects will be counted in both the project backlog of marine construction works and other civil engineering works and the contract value is apportioned based on the type of works performed/to be performed under the contract.
4. The outstanding aggregate contract value of new projects and variation orders comprised of recognised variation orders of approximately HK$26.1 million, HK$37.7 million, HK$77.1 million and HK$38.9 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.
5. The closing value of the outstanding aggregate contract value at the end of the year/period as set out in the tables headed "(i) Marine construction works" and "(ii) Other civil engineering works" for the year ended 31 May 2020 of approximately HK$199.6 million and HK$176.9 million, respectively, was approximately HK$376.5 million in aggregate. As set out under note 4 "Revenue and Segment Reporting – (a) Revenue – (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date" in Appendix I to this prospectus, the aggregate amount of the transaction price allocated to the remaining performance obligations under our Group's existing contracts is approximately HK$142.8 million, the difference of approximately HK$233.7 million is the aggregate contract value exempted from disclosure in accordance with practical expedient in paragraph 121 of HKFRS 15, of which approximately HK$135.6 million and HK$98.1 million was related to marine construction works and other civil engineering works, respectively. For information purposes, our Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as (i) the performance obligation is part of a contract that has an original expected duration of one year or less; or (ii) our Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to customer of our Group's performance completed to date.

As at the Latest Practicable Date, the outstanding aggregate contract value of our Group's backlog (including vessel chartering arrangements of approximately HK$18.1 million) amounted to approximately HK$303.8 million, of which approximately HK$173.7 million and HK$130.1 million are expected to be recognised, subject to the progress of the respective projects, for the remaining period of the years ending 31 May 2021 and 2022, respectively.

For our vessel chartering services, our customers are mainly contractors of marine construction works who request us for quotation on an as-need basis. Our customers generally enter into contract with us or issue a work order/plant order to us for our engagement. During the Track Record Period, our vessel chartering arrangements primarily involved sub-chartering of our suppliers' vessel(s) to our customers. For details, please refer to the paragraph headed "Business – Our vessel chartering arrangements" in this prospectus.

Our customers

We generally act as a subcontractor to carry out marine construction or other civil engineering works in our projects and our customers are main contractors engaged by property developers or project employers in the public and private sectors. During the Track Record Period, our projects were generally awarded after a competitive tendering/quotation process.

For the years ended 31 May 2017, 2018, 2019 and 2020, the revenue attributable to our top five customers amounted to approximately HK$184.4 million, HK$250.4 million, HK$275.1 million and HK$248.9 million, representing approximately 85.3%, 92.8%, 92.6% and 79.3% of our total revenue, respectively. During the same period, the revenue attributable to our largest customer amounted to approximately HK$55.4 million, HK$98.3 million, HK$98.3 million and HK$102.4 million, representing approximately 25.6%, 36.4%, 33.1% and 32.6% of our total revenue, respectively.

Our suppliers

Our suppliers include providers for diesel fuel and raw materials such as sand blanket material, geotextile material and spare parts, as well as service providers for chartering, leasing and/or maintenance of vessels and site equipment. During the Track Record Period, we had contra-charge arrangements with some of our customers. In this context, we regard such customers as our suppliers as well. For details of the contra-charge arrangements, please refer to the paragraph headed "Business – Our customers – Contra-charge arrangements with our customers" in this prospectus. For the years ended 31 May 2017, 2018, 2019 and 2020, the costs recognised for our top five suppliers (excluding any entities which may be viewed as our suppliers solely attributable to contra-charge arrangements due to supplies to our subcontractors) amounted to approximately HK$65.8 million, HK$75.7 million, HK$35.6 million and HK$21.2 million, representing approximately 59.7%, 71.5%, 72.1% and 66.7% of our cost of supplies, respectively. For the same periods, the costs recognised for our largest supplier accounted for 15.5%, 28.4%, 27.8% and 23.0% of our cost of supplies, respectively.

Our subcontractors

We may subcontract part of a project works such as laying geotextile material, general civil works and surveying works to our subcontractors. For the years ended 31 May 2017, 2018, 2019 and 2020, our subcontracting costs amounted to approximately HK$52.4 million, HK$67.6 million, HK$172.4 million and HK$201.7 million, representing approximately 27.9%, 29.8%, 70.5% and 76.8% of our direct costs, respectively. For the same periods, the subcontracting costs attributable to our top five subcontractors amounted to approximately HK$51.0 million, HK$64.6 million, HK$167.3 million and HK$189.9 million respectively, representing approximately 97.4%, 95.6%, 97.1% and 94.1% of our total subcontracting costs, respectively.

Sustainability of our business

Our Directors consider that our business operation is affected by our limited customer base with customer concentration of revenue contribution from our major customers during the Track Record Period, and the forecast drop in the gross output value of the marine construction works industry in Hong Kong between 2022 and 2026 (the "**Forecast Downturn**").

Despite having a concentrated customer base, our Directors consider that our business is sustainable in view of factors including, among others, (i) a major portion of our revenue was derived from our marine construction works and there are only a comparatively small number of qualified main contractors for such marine construction projects according to the Ipsos Report; (ii) public marine construction projects are generally of a considerable scale and a single project undertaken by us might contribute a significant portion to our Group's revenue for a particular period; (iii) we have maintained a good and stable business relationship with our major customers; and (iv) we will continue to expand our market share in the marine construction works industry in Hong Kong by acting as a main contractor since our Group was admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019, which enables our Group to undertake public work contracts for port works of up to

HK$300 million as a main contractor in Hong Kong. We will also form joint ventures with foreign contractors to pursue public or private marine construction projects and continue to undertake projects as a subcontractor. Therefore, we will be able to diversify our current customer base and broaden our income stream.

Our Directors believe that the Forecast Downturn will not have a material impact on our Group's sustainability in view that (i) the Forecast Downturn is expected to be temporary, and ongoing and under-planning marine construction projects will continue to drive the marine construction works industry in Hong Kong; (ii) our Group's plan to maintain financial viability during the Forecast Downturn; (iii) our Group can strategically compete for non-reclamation marine construction works during the Forecast Downturn which is mainly attributed by the decrease in the gross output value of the reclamation works industry in Hong Kong; (iv) our Group is able to compete for other civil engineering projects as well as vessel chartering arrangements to offset any decrease in marine construction projects during the Forecast Downturn. Although there is expected to be a temporary decrease in the gross output value of reclamation-related marine construction works in Hong Kong, the gross output value of non-reclamation marine construction works in Hong Kong is expected to remain largely stable during the Forecast Downturn and hence, there remains a stable level of demand for local vessel chartering. On the other hand, other civil engineering works on reclaimed land without direct and/or restricted land-based transportation and near-shore work sites will also contribute to the demand for local vessel chartering as vessels are required for transportation of material, machinery, site equipment and workers; and (v) our Group has a sizable backlog as at 31 May 2020 which demonstrates our ongoing ability to compete effectively for contracts.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors, including (i) our capability to devise innovative method and approach for carrying out marine construction works and contribute technical advice to our customers; (ii) our Group's marine construction works and vessel chartering services are complimentary to each other and enable our operation to be more cost-effective; (iii) our established reputation and proven track record in marine construction works; (iv) our experienced management, project management and supervision staff together has extensive operational expertise and technical knowledge; and (v) we have stable relationships with our major customers, suppliers and subcontractors. For further details, please refer to the paragraph headed "Business – Our competitive strengths" in this prospectus.

BUSINESS STRATEGIES

We plan to adopt the following strategies to achieve sustainable growth in our business, namely, (i) strengthen our market position and expand our market share by diversifying and extending into provision of general reclamation works and post reclamation port works, and act as a main contractor in public and private marine construction projects in Hong Kong; (ii) acquisition of additional vessels and site equipment to enable us to build a more comprehensive vessel fleet and strengthen our position to cater for different types and scale of marine construction projects or other civil engineering projects on reclaimed land. The site equipment to be acquired may be used for both our marine construction projects and/or other civil engineering projects to provide us with higher operational flexibility, and better project and cost management for project works; and (iii) strengthening our manpower to take on more marine construction or other civil engineering projects as well as contracts with larger initial contract sums, including recruitment of project management staff to assist with tendering process and supervision of projects. For further details, please refer to the paragraph headed "Business – 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, among others, (i) our revenue mainly relies on successful tenders of or acceptance of our quotations for marine construction works, vessel chartering services and other civil engineering works which are non-recurring in nature and any failure of our Group to secure contracts from our existing customers and/or new customers in future would affect our business operation and financial results; (ii) a significant portion of our revenue was derived from contracts awarded by a limited number of customers and any significant decrease in the number of contracts with our major customers may materially and adversely affect our financial condition and operating results; (iii) industry downturn in the industries in which our business operates may materially and adversely affect our financial operation and operating results; (iv) reliance, underperformance and/or unavailability of our subcontractors may materially and adversely affect our operation and profitability; (v) we may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cashflows or financial results; and (vi) our plan to tender for projects in the role of a main contractor may or may not succeed, and the higher working capital requirements for a main contractor as compared to a subcontractor may tighten the operating cash flows of our Group. For further details of the risks we are exposed to, please refer to the section headed "Risk Factors" in this prospectus.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will be owned by Yue Hang, which is in turn wholly-owned by Mr. Sherman Heung. For the purpose of Listing Rules, Mr. Sherman Heung and Yue Hang are the Controlling Shareholders of our Company.

SUMMARY OF FINANCIAL INFORMATION AND FINANCIAL RATIOS

The following table sets forth our key operational and financial data during the Track Record Period:

	For the year ended or as at 31 May			
(Expressed in HK$'000 except financial ratios)	**2017**	**2018**	**2019**	**2020**
Results of operations				
Revenue	216,062	269,630	297,302	313,650
Direct costs	(187,616)	(226,902)	(244,465)	(262,616)
Gross profit	28,446	42,728	52,837	51,034
Profit before taxation	26,277	39,325	36,123	34,870
Profit and total comprehensive income for the year	22,340	32,988	28,752	28,113
Non-HKFRS measures				
Non-HKFRS adjusted profit for the year *(Note)*	22,340	32,988	38,232	35,323
Financial position				
Non-current assets	22,886	23,055	41,063	49,051
Non-current liabilities	1,410	2,299	4,431	5,047
Current assets	31,211	95,520	99,242	103,290
Current liabilities	32,390	62,991	53,837	47,144
Net current (liabilities)/assets	(1,179)	32,529	45,405	56,146
Total assets	54,097	118,575	140,305	152,341
Total liabilities	33,800	65,290	58,268	52,191
Net assets	20,297	53,285	82,037	100,150
Key financial ratios				
Gross profit margin	13.2%	15.8%	17.8%	16.3%
Net profit margin	10.3%	12.2%	9.7%	9.0%
Adjusted net profit margin *(Note)*	10.3%	12.2%	12.9%	11.3%
Return on total assets	41.3%	27.8%	20.5%	18.5%
Return on equity	110.1%	61.9%	35.0%	28.1%
Current ratio	1.0 times	1.5 times	1.8 times	2.2 times
Gearing ratio	nil	nil	9.4%	7.3%
Interest coverage ratio	nil	nil	452.5 times	107.0 times
Cash flows				
Net cash generated from operating activities	28,967	47,161	15,931	30,244
Net cash used in investing activities	23,896	31,857	16,489	22,237
Net cash (used in)/generated from financing activities	(5,169)	–	7,670	(2,036)
Net (decrease)/increase in cash and cash equivalents	(98)	15,304	7,112	5,971
Cash and cash equivalents at the beginning of the year	2,724	2,626	17,930	25,042
Cash and cash equivalents at the end of the year	2,626	17,930	25,042	31,013

Note: Adjusted profit represents profit for the year excluding the listing expenses incurred. Adjusted net profit and adjusted net profit margin are not a measure of performance under HKFRS. As a non-HKFRS measure, adjusted profit and adjusted net profit margin are presented because the management believes such information will be helpful for investors in assessing the effect of listing expenses on our Group's net profit. The use of adjusted profit and adjusted net profit margin has material limitations as an analytical tool as it does not include all items that impact our Group's profit for the relevant year.

Please refer to the paragraph headed "Financial Information – Key financial ratios" in this prospectus for further details and analysis.

Non-HKFRS measures

The non-HKFRS adjusted profit was approximately HK$22.3 million, HK$33.0 million, HK$38.2 million and HK$35.3 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. The non-HKFRS adjusted profit represents profit for the year excluding the listing expenses incurred during the corresponding year. We did not record any listing expenses for the years ended 31 May 2017 and 2018. For the years ended 31 May 2019 and 2020, approximately HK$9.5 million and HK$7.2 million of listing expenses were recorded in the consolidated statements of profit or loss and other comprehensive income. Adjusted net profit is not a measure of performance under HKFRS. As a non-HKFRS measure, the following table sets forth a reconciliation between profit for the year as presented in accordance with HKFRS and the non-HKFRS adjusted profit for the year:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year	22,340	32,988	28,752	28,113
Adjust for:				
Listing expenses	–	–	9,480	7,210
Non-HKFRS adjusted profit for the year	22,340	32,988	38,232	35,323
Adjusted net profit margin	10.3%	12.2%	12.9%	11.3%

Adjusted profit is presented because our Directors believe such information would be helpful for investors in assessing the effect of listing expenses on our Group's net profit as listing expenses primarily represent professional fees for our Share Offer and are non-recurring in nature. However, it should be noted that the use of adjusted profit has material limitations as an analytical tool because it does not include all items that affect our Group's profit for the relevant year. For further details on non-HKFRS measures, including reconciliation between profit for the year as presented in accordance with HKFRS and the non-HKFRS adjusted profit for the year, please refer to the paragraph headed "Financial Information – Principal components of results of operations – Non-HKFRS measures" in this prospectus.

Analysis on selected key operational and financial data

Revenue

We experienced revenue growth during the years ended 31 May 2017 and 2018, and recorded revenue of approximately HK$216.1 million and HK$269.6 million, respectively, such increase was mainly attributable to increase in revenue derived from both marine construction works and vessel chartering services by approximately HK$10.2 million and HK$50.1 million, respectively. We also experienced revenue growth for the years ended 31 May 2018 and 2019, and recorded revenue of approximately HK$269.6 million and HK$297.3 million, respectively, such increase was mainly attributable to the net effect movement of (i) increase in the revenue derived from other civil engineering works by approximately HK$93.6 million; and (ii) decrease in revenue derived from vessel chartering services of approximately HK$58.5 million. We experienced revenue growth for the years ended 31 May 2019 and 2020, and recorded revenue of approximately HK$297.3 million and HK$313.7 million, respectively, such increase was mainly attributable to the net effect movement of (i) the increase in the revenue derived from marine construction works of approximately HK$11.0 million from approximately HK$175.3 million to approximately HK$186.3 million; (ii) the increase in the revenue derived from other civil engineering works of approximately HK$25.4 million from approximately HK$98.3 million to approximately HK$123.7 million; and (iii) the decrease in the revenue derived from vessel chartering services of approximately HK$20.2 million from approximately HK$23.8 million to approximately HK$3.6 million, which was mainly attributable to the fact that our largest four vessel chartering arrangements in terms of revenue at the time, were completed in August 2018, September 2018, January 2019 and April 2019. In addition, the reduction in revenue from our vessel chartering services for the year ended 31 May 2020 was also partly attributable to the comparatively higher utilisation of our self-owned vessels for the marine construction works we have completed during the year ended 31 May 2020. For details of the utilisation rate of our self-owned vessels, please refer to the paragraph headed "Business – Our vessels and site equipment – Utilisation rate" in this prospectus.

Direct costs

Our direct costs during the Track Record Period primarily consisted of (i) subcontracting costs; (ii) direct labour costs; (iii) material costs; (iv) rental of vessels and equipment; and (v) others. The following table sets forth a breakdown of our direct costs during the Track Record Period:

	Year ended 31 May							
	2017		2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting costs	52,366	27.9	67,640	29.8	172,361	70.5	201,733	76.8
Direct labour costs	23,890	12.7	49,874	22.0	18,844	7.7	22,647	8.6
Materials costs	58,611	31.2	11,602	5.1	7,633	3.1	1,576	0.6
Rental of vessels and equipment	45,669	24.3	85,093	37.5	31,613	12.9	14,302	5.4
Others	7,080	3.9	12,693	5.6	14,014	5.8	22,358	8.6
Total direct costs	187,616	100.0	226,902	100.0	244,465	100.0	262,616	100.0

Our direct costs increased from approximately HK$187.6 million for the year ended 31 May 2017 to approximately HK$226.9 million for the year ended 31 May 2018, such increase was mainly attributable to (i) the increase in the subcontracting costs by approximately HK$15.2 million, which was primarily related to a marine construction project involving regulation and deposition of sand blanket and DCM works which commenced in February 2018; and (ii) the increase in the direct labour costs by approximately HK$26.0 million, which was primarily attributable to the level of involvement by our direct labour to satisfy the work progress at the relevant time for one marine construction project for the 3RS project which adopted the special enclosed deposition method during the years ended 31 May 2017 and 2018, respectively. Our direct costs increased from approximately HK$226.9 million for the year ended 31 May 2018 to approximately HK$244.5 million for the year ended 31 May 2019, such increase was mainly attributable to the notable increase in the subcontracting costs by approximately HK$104.7 million, which was primarily related to the commencement of a project in Kai Tak, being our largest other civil engineering project in terms of revenue recognised over the Track Record Period, in which we subcontracted out a substantial part of the general civil engineering works, which was partially offset by the decrease in rental of vessels and equipment, and direct labour costs of approximately HK$53.5 million and HK$31.0 million, respectively. Our direct costs increased from approximately HK$244.5 million for the year ended 31 May 2019 to approximately HK$262.6 million for the year ended 31 May 2020, such increase was mainly attributable to the increase in the subcontracting costs by approximately HK$29.3 million, which was primarily related to the net effect of (i) completion of three marine construction projects during the year ended 31 May 2019; (ii) most of our works related to the aforementioned project in Kai Tak was completed during the year ended 31 May 2019, of which the related subcontracting costs significantly decreased from approximately HK$92.7 million for the year ended 31 May 2019 to approximately HK$0.2 million for the year ended 31 May 2020; and (iii) commencement of five marine construction projects and five other civil other engineering projects, of which the related subcontracting costs incurred were approximately HK$74.2 million and HK$105.8 million, respectively, during the year ended 31 May 2020. Based on our considerations of, among others, our internal operational and financial resources at the relevant time, cost effectiveness and complexity of the works involved, we may subcontract part of a project such as laying geotextile material, general civil works and surveying works to our subcontractors. Given the above and the scope of works, schedule of works, manpower requirement would differ from contract to contract, the cost structure would vary from contract to contract, and thus the composition of our direct costs would fluctuate from year to year.

Gross profit and gross profit margin

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

	For the year ended 31 May							
	2017		2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK'000	*%*	*HK'000*	*%*	*HK'000*	*%*	*HK'000*	*%*
Marine construction works	18,682	10.8	21,472	11.8	40,791	23.3	39,548	21.2
Vessel chartering services	6,089	18.9	20,605	25.0	6,517	27.4	844	23.5
Other civil engineering works	3,675	32.2	651	14.1	5,529	5.6	10,642	8.6
	28,446	13.2	42,728	15.8	52,837	17.8	51,034	16.3

Our gross profit increased from approximately HK$28.4 million for the year ended 31 May 2017 to approximately HK$42.7 million for the year ended 31 May 2018. Our gross profit was derived as to (i) approximately HK$18.7 million and HK$21.5 million from our marine construction works; (ii) approximately HK$6.0 million and HK$20.6 million from our vessel chartering services; and (iii) approximately HK$3.7 million and HK$0.7 million from our other civil engineering works, for the years ended 31 May 2017 and 2018, respectively. Our gross profit margin for the years ended 31 May 2017 and 2018 was approximately 13.2% and 15.8%, respectively. Such increase was primarily attributable to a larger portion of our gross profit was derived from our vessel chartering services, which recorded the highest gross profit margin among the three segments for the year ended 31 May 2018, which was attributable to a vessel chartering arrangement of our self-owned vessels with Bachy Soletanche – Sambo Joint Venture for a duration of 24 months from May 2017 to April 2019.

Our gross profit was approximately HK$42.7 million and HK$52.8 million, and our gross profit margin was approximately 15.8% and 17.8% for the years ended 31 May 2018 and 2019, respectively. For the years ended 31 May 2018 and 2019, marine construction works contributed approximately 50.3% and 77.2% of our gross profit, respectively. The increase in gross profit margin of marine construction works was mainly attributable to two marine construction projects where we derived a comparatively higher gross profit margin as (i) we developed a tailor-made solution to our customer for the removal of decommissioned aviation fuel pipeline and associated works in one of our marine construction projects; and (ii) we were requested to perform complex remedial works on the aviation fuel receiving facility to repair the damages as a result of Typhoon Mangkhuk within a short period of time in the other project. For the decrease in profit margin of other civil engineering works, it was mainly due to the significant subcontracting costs for a project in Kai Tak, being our largest other civil engineering project in terms of revenue recognised over the Track Record Period with revenue derived from such project amounted to approximately HK$98.3 million for the year ended 31 May 2019. When tendering for the aforesaid project, our Directors have taken into consideration of factors including but not limited to, the availability of our resources at the relevant time, the associated subcontracting costs, material costs, direct labour costs, rental costs, and other direct costs. Despite the aforesaid project had a relatively low gross profit margin which was primarily attributable to the availability of our resources and the involvement of sub-contractors, our Directors considered securing such sizeable project could further enhance our track record and increase our market share in other civil engineering works industry in Hong Kong.

Our gross profit was approximately HK$52.8 million and HK$51.0 million, and our gross profit margin was approximately 17.8% and 16.3% for the years ended 31 May 2019 and 2020, respectively. For the years ended 31 May 2019 and 2020, gross profit derived from marine construction works contributed to approximately 77.2% and 77.5% of our gross profit, respectively. On this basis, marine construction works had contributed notably towards our gross profit and gross profit margin for the years ended 31 May 2019 and 2020, respectively. The slight decrease in gross profit margin of marine construction works was mainly attributable to the increase in subcontracting costs in relation to our marine construction works from approximately HK$79.7 million for the year ended 31 May 2019 to approximately HK$92.6 million for the year ended 31 May 2020. For the increase in gross profit margin of other civil engineering works, it was mainly attributable to (i) the nature and complexity of other civil engineering works we completed during the year ended 31 May 2020; and (ii) we had undertaken comparatively more other civil engineering works, through our direct labour, than the corresponding prior year.

Net profit and net profit margin

Our profit for the years ended 31 May 2019 and 2020 (inclusive of listing expenses) amounted to approximately HK$28.8 million and HK$28.1 million, respectively. We did not record any listing expenses for the years ended 31 May 2017 and 2018, respectively.

However, if the effects of listing expenses of nil, nil, approximately HK$9.5 million and HK$7.2 million were to be excluded, the adjusted profit for the years ended 31 May 2017, 2018, 2019 and 2020, being a non-HKFRS measure, would be approximately HK$22.3 million, HK$33.0 million, HK$38.2 million and HK$35.3 million, respectively. The movement in the net profit for the years ended 31 May 2019 and 2020 was mainly attributable to the net effect of the decrease in vessel chartering services revenue and the corresponding gross profit, which was partially offset by the increase in revenue and the corresponding gross profit derived from other civil engineering works.

Our net profit margin based on the adjusted profit for the years ended 31 May 2017, 2018, 2019 and 2020, were approximately 10.3%, 12.2%, 12.9% and 11.3%, respectively. Such fluctuation was mainly attributable to, among others, (i) the revenue mix and cost structure of the marine construction works, vessel chartering services and/or other civil engineering works; and (ii) types and complexity of the marine construction works, vessel chartering services and/or other civil engineering works, undertaken by our Group during the respective years. The aforesaid factors in turn caused fluctuations in our gross profit margin, being approximately 13.2%, 15.8% 17.8% and 16.3% for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

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

Net current assets/liabilities

As at 31 May 2017, we recorded net current liabilities of approximately HK$1.2 million, as a result of current liabilities primarily comprised of trade and other payables, and contract liabilities, which was mainly related to billings in advance of performance in relation to marine construction works and vessel chartering services for our customers to secure our services. Subsequently to 31 May 2017 due to, among others, the increase in cash and cash equivalents attributable to notable cash generated from operations for the year ended 31 May 2018, and decrease in contract liabilities, our Group's net current liabilities position was improved to a net current asset position as at 31 May 2018. As at 31 May 2018 and 2019, we recorded net current assets of approximately HK$32.5 million and HK$45.4 million respectively. As at 31 May 2020, we recorded net current assets of approximately HK$56.1 million, which consisted of current assets of approximately HK$103.3 million and current liabilities of approximately HK$47.1 million.

Return on total assets

Our return on total assets were approximately 41.3%, 27.8%, 20.5% and 18.5% for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. The decrease was mainly the rate of increase in the expansion of our total asset being greater than the rate of increase of our profit for the year over the relevant years.

Return on equity

Our return on equity decreased from approximately 110.1% for the year ended 31 May 2017 to approximately 61.9% for the year ended 31 May 2018, which was mainly due to increase of total equity from approximately HK$20.3 million as at 31 May 2017 to approximately HK$53.3 million as at 31 May 2018 mainly as a result of the profit for the year ended 31 May 2018. Our return on equity decreased from approximately 61.9% for the year ended 31 May 2018 to approximately 35.0% for the year ended 31 May 2019, which was mainly due to the further increase in total equity from approximately HK$53.3 million as at 31 May 2018 to approximately HK$82.0 million as at 31 May 2019. Our return on equity further decreased from approximately 35.0% for the year ended 31 May 2019 to approximately 28.1% for the year ended 31 May 2020, which was mainly due to the further increase of total equity from approximately HK$82.0 million as at 31 May 2019 to approximately HK$100.2 million as at 31 May 2020.

Interest coverage ratio

Our interest coverage ratio remained nil for the years ended 31 May 2017 and 2018. Our interest coverage ratio was approximately 452.5 times for the year ended 31 May 2019, which was primarily due to the increase in our finance costs from nil to approximately HK$80,000. Our interest coverage ratio decreased from approximately 452.5 times for the year ended 31 May 2019 to approximately 107.0 times for the year ended 31 May 2020, which was primarily due to the increase in our finance costs from approximately HK$80,000 for the year ended 31 May 2019 to approximately HK$0.3 million for the year ended 31 May 2020.

Cash flows

Net cash generated from operating activities is mainly based on profit before taxation adjusted for depreciation and after changes in working capital. For the years ended 31 May 2017 and 2018, our net cash from operating activities were approximately HK$29.0 million and HK$47.2 million, respectively. For the year ended 31 May 2019, our net cash generated from operating activities was approximately HK$15.9 million. For the year ended 31 May 2020, our net cash generated from operating activities was approximately HK$30.2 million.

Net cash used in investing activities mainly consisted of payment for acquisition of property, plant and equipment, and advances to a Director. For the years ended 31 May 2017 and 2018, our net cash used in investing activities were approximately HK$23.9 million and HK$31.9 million. For the year ended 31 May 2019, our net cash used in investing activities was approximately HK$16.5 million. For the year ended 31 May 2020, our net cash used in investing activities was approximately HK$22.2 million.

Net cash used in financing activities for the year ended 31 May 2017 was approximately HK$5.2 million, which was related to the decrease in amount due to a Director. Net cash generated from financing activities for the year ended 31 May 2018 was nil and for the year ended 31 May 2019 was approximately HK$7.7 million, which was related to the proceeds from new bank loan. For the year ended 31 May 2020, net cash used in financing activities was approximately HK$2.0 million.

MARKET POSITION

According to the Ipsos Report, our Group accounted for approximately 0.5% of the total gross output value of the reclamation works industry in Hong Kong for 2019 in terms of revenue. For details of the competitive landscape of the reclamation works industry in Hong Kong and the market positioning of our Group, please refer to the section headed “Industry Overview” in this prospectus.

LISTING EXPENSES

We did not record any listing expenses for the two years ended 31 May 2017 and 2018, our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK$0.2475 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total estimated listing expenses in relation to the Share Offer are approximately HK$43.3 million, without taking into account any discretionary incentive fees, of which approximately HK$22.7 million is directly attributable to the issue of Offer Shares and is to be accounted from equity upon Listing, approximately HK$9.5 million and HK$7.2 million of listing expenses were charged to the consolidated statements of profit or loss and other comprehensive income for the years ended 31 May 2019 and 2020, respectively, and approximately HK$3.9 million is expected to be charged to the consolidated statements of profit or loss and other comprehensive income after the Track Record Period. Assuming an Offer Price of HK$0.2475 per Offer Share (being the mid-point of the Offer Price range of HK$0.225 to HK$0.27 per Offer Share), we estimate the gross fund to be raised from the Share Offer to be approximately HK$137.6 million. Therefore, the total estimated listing expenses in relation to the Share Offer will represent approximately 31.5% of the said gross fund.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group was involved in one employees' compensation claim initiated in January 2020. Save for the aforesaid claim, there was no other civil litigation, claim or arbitration of material importance known to our Directors to be involving our Group, which is pending or threatened against our Group. Our Directors confirmed that there was no criminal litigation proceeding against our Group as at the Latest Practicable Date and there was no criminal conviction against our Group during the Track Record Period and up to the Latest Practicable Date. For details of the employees' compensation claim and potential claims in relation to work injuries, please refer to the paragraph headed "Business – Legal proceedings and legal compliance – Legal proceedings" in this prospectus.

LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that we had no material non-compliance of applicable laws and regulations in Hong Kong that would materially affect our Group's operation and financial position during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business and operations

As at the Latest Practicable Date, the estimated tender sum for 13 tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitation to tender and to be submitted by us amounted to approximately HK$693.7 million. Out of the above, save for one tender related to marine construction works, all of these tenders/quotations were for projects with initial contract sum over HK$5 million (i.e. sizeable projects). For further information on (i) tenders to be submitted in response to tender invitation received; and (ii) tenders/quotations submitted which are pending results as at the Latest Practicable Date, please refer to paragraph headed "Future Plans and Use of Proceeds – Reasons for listing – Ongoing demand for our principal businesses" in this prospectus. Subject to various factors, including among others, the progress of our contract works, the actual level of direct costs to be incurred by our Group and barring unforeseen circumstances, our Directors expected the gross profit margin of our Group for the year ending 31 May 2021 to be broadly in line with the gross profit margin recorded by our Group during the Track Record Period, after taking into consideration of factors including (i) the estimated revenue generated and to be generated based on the ongoing projects and awarded contracts; (ii) estimated costs incurred and to be incurred for the ongoing projects and awarded contracts based on the subcontracting costs, material costs, direct labour costs, rental costs, and other direct costs; and (iii) other information available to our Directors including tender budgets.

In October 2019, our Group has been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works, and up to the Latest Practicable Date, our Group has tendered for seven port works contracts as a main contractor with an aggregate contract sum of approximately HK$460.7 million. Up to the Latest Practicable Date, five of the tenders were unsuccessful and the aggregate contract sum of the remaining tenders pending result amounted to approximately HK$151.3 million. Our Directors consider that our project management team have the capability, experience and skills to handle projects where we will act as a main contractor given that we have been responsible for the project management, supervision and coordination role in some of our projects during the Track Record Period, and our Directors consider that such management role was analogous to the management role of a main contractor. As our Group anticipates that our working capital commitment for main contractor projects will become larger as compared with our current position and role as a subcontractor to a project, we have adopted certain measures with a view to minimise the risk of cash flow mismatch in our operations. For details, please refer to the paragraph headed "Business – Business strategies – Strengthen our market position and expand our market share" in this prospectus.

The indebtedness of our Group as at 30 September 2020, being the latest practicable date for determining the amount of indebtedness in this prospectus, amounted to approximately HK$6.7 million. Further details of our Group's indebtedness statement as at 30 September 2020 are set out under the paragraph headed "Financial Information – Indebtedness" in this prospectus.

Save for the impact of the listing expenses charged and to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 May 2021, which would in turn adversely impact our Group's financial results, our Directors confirmed that, up to the date of this prospectus, there has been no other material adverse change in the financial, trading position or prospects of our Group since 31 May 2020, being the date to which the latest audited consolidated financial statements of our Group were prepared.

Outbreak of COVID-19

The recent outbreak of COVID-19 (the "**Outbreak**") has affected the market sentiment and dampened the local economy generally. Our Directors have closely monitored the development of the Outbreak in Hong Kong and maintained close communications with our customers, suppliers and subcontractors to ensure that (i) any significant impact on the status or progress of our ongoing projects would be alerted to us at an early stage; and (ii) supply shortages on any major materials and labour can be avoided. Our Group has assessed the overall impact of the Outbreak on our business operation and sustainability by continuously reviewing its impact on several areas including (i) daily operations; (ii) project tendering and project statuses; (iii) delivery of services; (iv) sourcing of vessels/materials; (v) subcontractors; (vi) industry and competition; and (vii) financial impact of our Group, and based on our Group's financial and operational data since the commencement of the Outbreak and up to the Latest Practicable Date, our Directors are of the view that our Group's continuing business operations and sustainability has not been materially and adversely affected by the Outbreak. For details, please refer to the paragraph headed "Financial Information – Recent developments and material adverse change" in this prospectus.

Further, our Group has implemented a series of precautionary measures to ensure a hygienic and safe working environment for our employees including (i) request our employees who had travelled to the PRC or returned to Hong Kong from overseas recently to stay at home for 14 days as self-quarantined period; (ii) request our subcontractors to withdraw their workers who had travelled to the PRC or returned to Hong Kong from overseas recently from entering our premises and project sites for 14 days for quarantine purpose; (iii) issue a circular to our employees which highlights the need to maintain personal hygiene including the need to wear surgical masks during work hours, to wash hands frequently and self-quarantine arrangement and reporting mechanism for infected case; (iv) mandatory temperature checks of our employees in office and project sites every day and provision of surgical masks to our employees in need; (v) arrange regular cleaning of our office using appropriate disinfectant; (vi) arrange computer notebooks with remote access capability for administrative employees who need to work from home during the self-quarantine period; and (vii) request our employees to inform the human resources department for appropriate arrangement to avoid the spread of COVID-19 if our employees or residents of their residential buildings/estates have contracted COVID-19. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there had been no incident of employees of our Group and/or our subcontractors who failed to report for duty as a result of contracting COVID-19.

In view that none of our projects had been subjected to significant delay, suspension of work, or cancelled by customers directly attributable to the Outbreak since December 2019, no material disruption has been recorded in respect of any of our material business function as at the Latest Practicable Date, and the series of precautionary measures in place, our Directors consider that the overall impact caused by the Outbreak on our business, results of operations and/or financial performance have not been significant. On this basis, our Directors consider that there were no material potential losses directly attributable to the Outbreak as at the Latest Practicable Date. If the Outbreak continues in the long term, our Group will consider implementing contingency plans involving various arrangements with our customers, suppliers and subcontractors to minimise the potential impact of the Outbreak on our business operation. For details, please refer to the paragraph headed "Financial Information – Recent developments and material adverse change" in this prospectus.

The implementation of the contingency plans is not expected to incur significant costs given our existing network and business relationship with our customers, suppliers, and subcontractors. In light of the insignificant impact of the Outbreak noted as at the Latest Practicable Date and the contingency plans our Group will implement if the Outbreak continues, our Directors consider that the Outbreak will not have significant implications on our Group's plan in developing and expanding our business.

Since the Outbreak in December 2019 and up to the Latest Practicable Date, our Group incurred total costs of approximately HK$150,000, which is mainly attributable to (i) the paid leave for employees who resided at residential buildings which had confirmed cases of COVID-19 to cover the required days to undergo testing for COVID-19 and the release of the test result with a view to prevent spread of COVID-19 at project sites, and to achieve rotation of staff to attend work with a view to maintain social distancing in the office, our employees were given paid leave for the working days which they were not required to attend work; and (ii) the purchase of consumables including masks and sanitisers, to prevent the spread of COVID-19. Our Group will continue to implement the abovementioned precautionary measures with a view to provide a hygienic and safe working environment for our employees and in line with the development of the Outbreak in Hong Kong, the existing measures will be reviewed and modified, where necessary. Our Directors will also continue to monitor the progress of both our secured projects and the status of our submitted quotation/tenders alongside the development of the Outbreak to keep track of any potential adverse impacts which may materialise and negatively affect the financial performance and business operation of our Group.

For illustration purposes only, an analysis is conducted after taking into account of the cash payment of dividend of approximately HK$10.1 million to the then shareholder of our Company on 19 October 2020 and based on the worst-case scenario, whereby it is assumed that our Group will not derive any revenue commencing from the date of Listing onwards due to the Outbreak but will continue to incur operating and administrative expenses, rental expenses and salaries and wages to maintain our operations. Under the aforesaid unlikely and extreme event, it is also assumed that there will be no further financing from our then Shareholders, no utilisation of existing banking facilities, our Group will not pay any dividend during the said period, and taking into account prudent estimate of settlement of trade receivables based on historical settlement pattern and net proceeds from the Share Offer for general working capital purposes, we estimated that our existing cash and cash equivalents and trade receivables as at 31 August 2020 are sufficient to maintain our Group's financial viability for at least the following 12 months without utilising any proceeds from the Listing in settling its estimated monthly fixed costs (including rentals and staff costs), trade payables and finance costs from bank borrowings outstanding as at 31 August 2020.

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$0.2475 per Offer Share (being the mid-point of the Offer Price range of HK$0.225 to HK$0.27 per Offer Share), after deduction of underwriting fees and estimated expenses in connection with the Share Offer, expected to be approximately HK$94.3 million. We intend to apply the net proceeds of the Share Offer for the following purposes: (i) approximately 67.6% of the net proceeds or approximately HK$63.8 million to expand our fleet of vessels and site equipment; (ii) approximately 14.2% of the net proceeds or approximately HK$13.4 million to recruit 35 additional full time staff to operate the aforementioned additional vessels and site equipment, which include vessel crew and other marine construction works staff, and site equipment operators; (iii) approximately 4.5% of the net proceeds or approximately HK$4.2 million for strengthening our manpower; (iv) approximately 8.5% of the net proceeds or approximately HK$8.0 million for acquiring performance bonds and/or placing tender deposit for potential marine construction or other civil engineering works; and (v) approximately 5.2% of the net proceeds or approximately HK$4.9 million for general working capital of our Group. For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

DIVIDEND AND DISTRIBUTABLE RESERVES

During the years ended 31 May 2017, 2018 and 2019, our Company and its subsidiaries did not declare any dividend. During the year ended 31 May 2020, our Company declared an interim dividend of HK$10,000,000 in November 2019 to its then shareholder, which has been settled by setting off against the current account balance of director. On 19 October 2020, our Company declared an interim dividend of HK$40,000,000 to our then shareholder, which was settled by (i) setting off against the then amount due from a Director, which amounted to approximately HK$29.9 million; and (ii) cash of approximately HK$10.1 million. We do not have a pre-determined dividend pay-out ratio. Pursuant to our dividend policy, being effective upon Listing, our Board may propose the payment of dividends, if any, on a per share basis, provided that our Group is profitable and without affecting the normal operations and business of our Group and depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. Any future declaration and payment as well as the amount of dividends will also be subject to the requirements under all applicable laws, rules and regulations as well as the Articles of Association. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK$0.225	**Based on an Offer Price of HK$0.27**
Market capitalisation at Listing *(Note 1)*	HK$500,400,000	HK$600,480,000
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share *(Note 3)*	HK$0.09	HK$0.10

Notes:

1. The calculation of the market capitalisation of the Shares is based on 2,224,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted net tangible asset of our Group does not take into account of the interim dividend of HK$40,000,000 declared on 19 October 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets of our Group per Share would be approximately HK$0.07 assuming an Offer Price of HK$0.225 per Share and approximately HK$0.08 assuming an Offer Price of HK$0.27 per Share.
3. The unaudited pro forma adjusted net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"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
"Airport Authority"	the Airport Authority Hong Kong, a statutory body and corporate established under the Airport Authority Ordinance (Chapter 483 of the Laws of Hong Kong)
"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 13 November 2020, as amended from time to time, a summary of which is set forth in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	our board of Directors
"Building Authority"	the Director of Buildings as defined under the Buildings Ordinance
"Buildings Department"	the Buildings Department of the Government which provides services to owners and occupants in both existing and new buildings in the private sector through the enforcement of the Buildings Ordinance

"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 1,667,999,998 Shares to be made upon capitalisation of certain sums standing in the credit of our share premium account as referred to in the paragraph headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 13 November 2020" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CEDD"	Civil Engineering and Development Department of the Government
"Census and Statistics Department"	Census and Statistics Department of the Government
"Chairman"	the chairman of our Board, namely Mr. Sherman Heung
"CIC"	the Construction Industry Council of Hong Kong, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007

"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"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
"Company" or "our Company"	Yue Kan Holdings Limited (裕勤控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 May 2018, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 July 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it thereto under the Listing Rules, and in the context of this prospectus, refer to Mr. Sherman Heung and Yue Hang (each a "**Controlling Shareholder**"). Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details
"core connected person(s)"	has the meaning ascribed thereto 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 disease, the outbreak of which was first identified in December 2019 and has since spread globally

"Deed of Indemnity"	the deed of indemnity dated 13 November 2020 given by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries) regarding certain indemnities, details of which are set out 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"	the deed of non-competition dated 13 November 2020 given by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in this prospectus
"Development Bureau"	the Development Bureau of the Government
"Director(s)" or "our Directors"	the director(s) of our Company
"Employees' Compensation Ordinance"	the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	the Environmental Protection Department of the Government
"GDP"	gross domestic product
"Government"	the Government of Hong Kong
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "we", "our" or "us" shall be construed accordingly
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s) issued by the HKICPA

"HKFRS(s)"	Hong Kong Financial Reporting Standard(s), (including HKAS, amendments and interpretations) issued by HKICPA
"HKIA"	the Hong Kong International Airport
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
"Independent Third Party(ies)"	individual(s) or company(ies) who or which is/are independent of and not a connected person(s) of our Company
"Ipsos"	Ipsos Asia Limited, a professional market research company, which is an Independent Third Party
"Ipsos Report"	the industry report on the market overview and competitive analysis for the reclamation works and vessel chartering industry in Hong Kong compiled by Ipsos, the extract of which is disclosed in this prospectus
"Joint Bookrunners"	Zhong Jia Securities Limited and Sinomax Securities Limited, being the joint bookrunners of the Share Offer
"Joint Lead Managers"	Aristo Securities Limited, ChaoShang Securities Limited, Get Nice Securities Limited, Head & Shoulders Securities Limited, Livermore Holdings Limited and Red Eagle Securities Limited , being the joint lead managers of the Share Offer

"Kat Yue"	Kat Yue Construction Engineering Limited（吉裕建築工程有限公司）(formerly known as HK SAR Construction Engineering Limited（香港建築工程有限公司)), a company incorporated in Hong Kong with limited liability on 7 January 2005 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Labour Department"	the Labour Department of the Government
"Latest Practicable Date"	16 November 2020, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Legal Counsel"	Mr. Chan Chung, barrister-at-law of Hong Kong
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or about Monday, 7 December 2020, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"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
"Marine Department"	Marine Department of the Government
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 13 November 2020, as amended, supplemented or otherwise modified from time to time, a summary of which is set forth in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus
"Mr. Edwin Heung"	Mr. Heung Yue Wing（向裕永）, our executive Director, and the son of Mr. Sherman Heung

"Mr. Sherman Heung"	Mr. Heung Che Kan (向志勤), our Chairman, executive Director and Controlling Shareholder, and the father of Mr. Edwin Heung
"Ms. Lee"	Ms. Lee Ming Chu Jade (李明珠), our executive Director
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for pursuant to the Share Offer, to be determined in the manner further described in the paragraph headed "Structure and Conditions of the Share Offer – Pricing – Determining the Offer Price" 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 further described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 500,400,000 Shares initially offered by our Company, for subscription 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
"Placing Underwriting Agreement"	the conditional placing underwriting agreement expected to be entered into on or around the Price Determination Date among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, in respect of the Placing
"PRC" or "China"	the People's Republic of China (中華人民共和國) and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan

"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the agreement expected to be entered into between our Company and Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, 27 November 2020 on which the Price Determination Agreement is entered into but in any event no later than Monday, 30 November 2020
"Public Offer"	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), 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
"Public Offer Shares"	the 55,600,000 Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as described 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 underwriting agreement dated 19 November 2020 relating to the Public Offer and entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Red Sun" or "Sole Sponsor"	Red Sun Capital Limited (紅日資本有限公司), a licensed corporation licensed to carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the sole sponsor for the Listing

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation 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 our sole Shareholder in relation to the repurchase of Shares, as further described in the paragraph headed "Statutory and General Information – A. Further information about our Company – 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus
"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) in the share capital of our Company with a par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme of our Company conditionally adopted on 13 November 2020, the principal terms of which are summarised in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus
"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, supplemented or otherwise modified from time to time

"Track Record Period"	comprises the financial years ended 31 May 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
"United States" or "U.S."	the United States of America
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"**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
"Yue Hang"	Yue Hang Investment Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and is wholly-owned by Mr. Sherman Heung since its incorporation and one of our Controlling Shareholders
"Yue Wang"	Yue Wang Investment Limited, a company incorporated in the BVI with limited liability on 28 May 2018, which shall be a direct wholly-owned subsidiary of our Company after completion of the Reorganisation
"m"	metres(s)
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

This glossary contains explanations of certain terms used in this prospectus. These terms and their given meanings may or may not correspond to standard meanings and usage adopted in the industry

"AIS"	automatic identification system, an automatic tracking system which uses transponders on ships and allows tracking and monitoring of vessel movements
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"DCM"	deep cement mixing, a ground treatment technique which involves injection of a binder material, typically cement, into the soil of the sea-bed for stabilisation and land reclamation
"ELS"	excavation and lateral support
"foundation works"	foundation works mainly include ELS, bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap construction
"GPS"	the global positioning system, which is a satellite based navigation system
"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
"HAMU"	highest altitude monitoring unit, a real-time monitoring and tracking system which is used for monitoring the highest altitude of working site equipment
"ISO"	the International Organisation for Standardization, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	an internationally recognised standard for a quality management system published by ISO

"List of Approved Contractors for Public Works"	the List of Approved Contractors for Public Works as kept by the Development Bureau
"main contractor"	a contractor, appointed by the project's employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and may delegate specific work tasks to different subcontractors
"marine construction works"	include, among others, the infrastructure works carried out offshore and near-shore, and the common types of works include seawall and reclamation, pier and port construction and maintenance, marine tunnel related works, road and bridge works and submarine cable/ pipeline works and their related works
"NRMM"	non-road mobile machinery
"pile cap"	a concrete structure built on the head of a pile or a group of piles for transmission of loads from structure above to the pile or group of piles
"site equipment"	includes any equipment and machinery which are used by our Group for works at project site
"site formation works"	any works including excavations of sloping land, filling, landslip prevention works, landslip remedial works, and ground water drainage works to prepare the construction sites for subsequent construction works
"special purpose vessel"	is categorised as a Class II vessel under the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Chapter 548D of the Laws of Hong Kong) and such vessel can be altered and equipped with different site equipment after approval of plans obtained from the Marine Department
"subcontractor"	in respect of a construction project, a subcontractor appointed and/or nominated by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks

"Subcontractors 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 CIC with enhanced registration requirements to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics
"3RS"	three runway system, being the expansion of a new third runway in HKIA which started on 1 August 2016

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", "continue", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "potential", "predict", "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 our Group operates;
- our Group's business strategies and plans to achieve those strategies;
- general economic, political and business conditions in the market(s) in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and market(s) in which our Group operates;
- 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;
- 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 those actions and developments;

- 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.

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.

Prospective investors should consider carefully all of 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 prospects of our Group.

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. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Cayman Islands; (iv) risks relating to the Share Offer; and (v) risks relating to statements of this prospectus.

RISKS RELATING TO OUR BUSINESS

Our revenue mainly relies on successful tenders of or acceptance of our tenders/quotations for marine construction works, vessel chartering services and other civil engineering works which are non-recurring in nature and any failure of our Group to secure contracts from our existing customers and/or new customers in future would affect our business operation and financial results

During the Track Record Period and up to the Latest Practicable Date, our revenue derived from our marine construction works, vessel chartering services and other civil engineering works in Hong Kong. We secured our marine construction works and other civil engineering works through a competitive tender/quotation process and our contracts were awarded on a non-recurring basis whereas our customers for our vessel chartering services generally request for our quotation on an as-needed basis. We do not have any long-term commitment with our customers and we are engaged by them on a project-by-project basis. We cannot assure that our existing customers or potential customers will invite us to participate in their tendering/quotation processes or request for our quotation or that we will be able to secure new contracts from them in the future as our customers have no obligation to award any contracts to us.

Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts with successful tenders or acceptance of our quotations, or receive invitations for quotations or tenders, our business and our results of operations and financial performance may be adversely and materially affected. For further information on the tenders or quotations submitted for our marine construction works and other civil engineering works and our success rate for our tenders/quotations during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Business

– Business model and our operation – Marine construction works or other civil engineering works – 1. Invitation for tender or quotation, preparation and submission – Tenders or quotations submitted for our projects" in this prospectus.

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

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers' revenue contribution for each of the years ended 31 May 2017, 2018, 2019 and 2020 accounted for approximately 85.3%, 92.8%, 92.6% and 79.3% of our revenue for the corresponding period, respectively. For the same period, our largest customer accounted for approximately 25.6%, 36.4%, 33.1% and 32.6% of our revenue, respectively.

There is no assurance that we will be able to retain our customers upon completion of each contract or that they will maintain their current level of business with us in future. If there is any significant decrease in the number of contracts or size of contracts in terms of contract sums awarded by our major customers to us for whatever reasons, or if we are unable to obtain suitable projects of a comparable scale and quantity as replacement, our financial conditions and operating results would be materially and adversely affected.

We cannot guarantee that we will be able to diversify our customer base by obtaining new projects from our existing and new potential customers.

A substantial portion of our Group's revenue was derived from 3RS-related projects during the Track Record Period and the 3RS project is a non-recurring project

During the Track Record Period, our marine construction projects and vessel chartering arrangements were largely driven by the demand for the 3RS project and the aggregate revenue recognised from such marine construction projects and vessel chartering arrangements amounted to approximately HK$666.7 million over the Track Record Period. According to the Ipsos Report, the target completion time of the marine construction works derived from the 3RS project may be postponed to in or around mid-2021 in view of the current progress of construction. For details of our projects related to the 3RS, please refer to the paragraph headed "Business – Our marine construction and other civil engineering projects" in this prospectus.

As we are engaged by our customers on a project-by-project basis, there is no assurance that we will be able to secure new projects from our customers in the future that are of comparable size as the 3RS-related projects or at all upon their respective completion. If our Group is unable to secure new projects from our customers upon or after the completion of the 3RS-related projects, our Group's results of operations, profitability and liquidity would be materially and adversely affected.

Reliance, underperformance and/or unavailability of our subcontractors may materially and adversely affect our operation and profitability

We may engage subcontractors to perform a certain portion of our marine construction works and other civil engineering works. Our total subcontracting costs accounted for approximately 27.9%, 29.8%, 70.5% and 76.8% of our total direct costs for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. Any unexpected significant increase in our subcontracting costs may adversely affect our profitability.

Apart from the effect of any significant increase in subcontracting costs which may impact our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We may be further faced with risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their employees. These events may adversely impact our profitability, financial performance and reputation, and eventually can lead to litigation or claims for damages.

In addition, our subcontractors may not always be readily available when our needs for subcontracting arise and there is no assurance that we would be able to maintain good working relationships with our subcontractors in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us in future projects on similar terms and conditions or at all. There is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs to complete the projects, which would in turn adversely affect our financial performance and reputation.

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cashflows or financial results

In general, we do not receive any prepayment from our customers for our contract works. We may incur various costs, including (i) material costs; (ii) rental of vessels and equipment; and (iii) settlement of our workers' salary and subcontracting costs during the initial stage of our projects. As such, we would record significant cash outflow at a particular period in the event that we are engaged in several substantial projects at the same time. Our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us, therefore we are subject to credit risks of our customers. For details of the mechanisms of progress payment and retention money, please refer to the paragraphs headed "Business – Business model and our operation – Marine construction works or other civil engineering works – 3. Project execution – (iii) Customer inspection and acceptance, and progress payment" and "Business – Business model and our operation – Marine construction works and other civil engineering works – 4. Practical completion of works" in this prospectus.

As at 31 May 2017, 2018, 2019 and 2020, the trade receivables amounted to approximately HK$16.8 million, HK$23.2 million, HK$15.0 million and HK$10.4 million, respectively, which accounted for approximately 53.8%, 24.3%, 15.1% and 10.0% of the total current assets for the corresponding periods. In addition, the trade receivables turnover days were approximately 14.3 days, 27.1 days, 23.4 days and 14.8 days for each of the years ended 31 May 2017, 2018, 2019 and 2020, respectively. For details of the fluctuations in our trade receivables, please refer to the paragraph headed "Financial Information – Analysis of various items from the consolidated statements of financial position – Trade and other receivables" in this prospectus. We cannot assure that we will be able to collect the trade receivables due from our customers in full or at all from our customers within the agreed credit terms or at all.

In addition, in the event that our customers experience any financial difficulties or cashflow problem, this may result in delay or default in payments to us, in which case the business, financial positions and prospects of our Group will be materially and adversely affected.

Further, in the event that disputes arise between us and any of our main contractors or customers, we may take a longer time than the offered credit period to collect payments. This will negatively affect our cashflows and financial performance. Nevertheless, even if our customers settle payments on time and in full, there can be no assurance that we will not experience any significant cashflow problem.

We may not be able to recover the full amount of contract assets

Our contract assets increased from approximately HK$10.4 million as at 31 May 2017, to approximately HK$20.3 million as at 31 May 2018, approximately HK$32.8 million as at 31 May 2019, and approximately HK$37.6 million as at 31 May 2020. The contract assets would be recognised when our Group recognised revenue before being unconditionally entitled to the consideration under the payment terms set out in the contracts. 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.

For further details on the analysis of our Group's contract assets, please refer to the paragraph headed "Financial Information – Analysis of various items from the consolidated statements of financial position – Contract assets and contract liabilities" in this prospectus.

Our insurance may not cover all potential losses and claims relating to our business operation and/or assets, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

Where we undertake the role of subcontractor in marine construction projects or other civil engineering projects, typical claims such as employees' compensation and personal injuries suffered by our employees are generally covered by the employees' compensation insurance and contractors' all risks insurance policy maintained by the main contractor of the relevant projects. As for our vessels deployed in the project sites, we are generally required to maintain our own insurance policy thereof. For details, please refer to the paragraph headed "Business – Insurance" in this prospectus.

Nevertheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be covered by insurance, in part or in full, and we and/or our officers (as the case may be) may be exposed to claims in respect to matters that are not covered by any insurance policies maintained by us or the relevant main contractors. In addition, there may be risks that certain losses and claims will not be covered adequately or at all by the insurance policies maintained by us or the relevant main contractors.

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

Revenue derived from a contract may differ from its initial contract sum attributable to factors such as variation orders and/or adjustments

The amount of revenue derived from a contract may be different from its initial contract sum due to factors such as variation orders and/or adjustments to such contract, which may include additions, modifications and/or cancellations of certain contract works by our customers from time to time during the course of a project. As such, there is no assurance that the actual amount of revenue derived from our ongoing contracts will not be substantially different from the initial contract sum as specified in the relevant contracts.

Furthermore, the variation orders placed by our customers may be substantially different from the scope of the initial contract works. For further details of variation orders, please refer to the paragraph headed "Business – Business model and our operation – Marine construction works or other civil engineering works – 3. Project execution – (iv) Variation orders" in this prospectus. Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders and/or adjustments to our contracts.

Competition in the market in which we operate could reduce our market share and business results

Our revenue was mainly derived from marine construction works including reclamation works during the Track Record Period. According to the Ipsos Report, the reclamation works industry in Hong Kong is concentrated with a comparatively small number of players. Despite various barriers faced by new entrants who wish to join the reclamation works industry in Hong Kong, which include industry reputation, established business network and high capital requirement, the industry is expected to be more competitive according to the Ipsos Report. Government initiatives to increase land supply and the introduction of more environment-friendly reclamation methods, such as the drained method involving the use of DCM, which helps reclamation works to regain its reputation as an alternative to increase land supply, are expected to drive the development of the reclamation works industry, thereby may attract new participants to enter the industry. If there is a relaxation of requirements for requisite licences and an increase in the number of participants in the marine construction works industry without a corresponding increase in the gross output value of marine construction works, competition between the participants in the industry would intensify.

In connection with other civil engineering works which we also undertake, the industry is relatively more competitive as various foreign, Hong Kong and PRC-based contractors can provide services similar to ours and the entry barrier to this industry is relatively less stringent. Contractors with the relevant expertise/project reference and/or any other quality in securing civil engineering contracts may be able to reduce our market share by adopting more aggressive pricing policies or by developing services that gain wider market acceptance than our services. Further, some of our competitors may, comparatively, have stronger brand names, larger capital base, longer operating histories, longer and more established relationship with their customers, and greater resources, and our existing and potential competitors may also develop relationships with our customers in a manner that could significantly impair our ability to secure contracts.

With intense competition expected from both local and international players in the future, we may have to compete with our competitors by reducing our prices. In addition, there is no assurance that our competitors will not have the necessary technical expertise and resources to provide more competitive services than ours. Failure to maintain or strengthen our competitiveness in the marine construction works industry and other civil engineering works industry and maintain our client base may result in a reduction in profit, which would adversely affect our financial performance.

Our ability to compete for contracts largely depends on the availability of vessels and site equipment

Our capacity to provide marine construction works and vessel chartering services for our customers largely depends on the availability of our vessels and site equipment. As at the Latest Practicable Date, we owned a total of ten vessels, including one tug boat, one work boat, one multi-purposes vessel, one dumb lighter and six special purpose vessels and a total of 49 units of site equipment which included excavators, generators, GPS and AIS. Some of our site equipment such as excavators and generators can be used in both marine construction works and other civil engineering works.

If we cannot meet the demand of our customers using our own available vessels and site equipment, we may need to charter and/or purchase the required vessels, and lease and/or purchase the required site equipment from third parties which may result in higher costs, and subject to uncertainties as to the availability of required vessels and site equipment in the market, when required. Even if we can afford to purchase the necessary vessel(s), the whole process from placing order to manufacturing to delivery and to obtain necessary certificate and licence from the relevant authority for the vessel to operate will take a lengthy period, in the order of around six months. Thus, the number of contracts that our Group can take up simultaneously at any given time is to a certain extent limited by our resources including the availability of our vessels and site equipment. For any unexpected and urgent need for additional vessels or site equipment to perform our obligations under the contracts awarded, we may not be able to obtain, including by way of charter or lease or purchase, the proper, suitable, compatible and/or most advanced vessels or site equipment in a timely manner and/or at commercially acceptable terms to us, or at all.

As our operations are capital intensive, we are prone to vessels and site equipment breakdowns amid regular maintenance, and repair or replacement of such vessels and site equipment may not be readily available. This may adversely affect our business relationship with our customers, result in extra costs and/or delay in performing the contracts, and significant expenses may be incurred to repair or replace defective vessels and site equipment. As a result, our business, revenue and profitability may be adversely affected.

Our business, financial conditions and growth prospects may be adversely affected by the potential increase in depreciation charges incurred from implementing our expansion plan

It is one of our business strategies to acquire additional vessels and site equipment to enhance our business development and the additional depreciation charges arising from the additional vessels and site equipment will be charged to our consolidated statements of profit or loss and other comprehensive income, which may affect our financial performance and operating results. Based on the accounting policies adopted by us, depreciation of property, plant and equipment is calculated using the straight-line method. According to our Directors' estimation, the yearly costs of depreciation, repair and maintenance, and other relevant costs for the additional seven vessels and 14 units of site equipment which our Directors proposed to acquire under our future plans, are expected to increase by approximately HK$22.5 million.

For further details of our business strategies and future plans, please refer to the paragraph headed "Business – Business strategies – Acquisition of additional vessels and site equipment" and the section headed "Future Plans and Use of Proceeds" in this prospectus.

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

Our business is subject to various laws and regulations in Hong Kong, including requirements to obtain or maintain certain permits, licences and/or qualifications to operate our business. For further details, please refer to the section headed "Regulatory Overview" in this prospectus. These permits, licences and/or qualifications are granted, renewed and maintained upon our compliance with, amongst others, the applicable criteria set by the relevant governmental departments or organisations, and such criteria may include maintenance of a sufficient project track record, continued compliance with certain financial, technical and management requirements and the standards of compliance required thereto may change from time to time. Alongside this, there are circumstances which may affect our ability to obtain and/or maintain such permits, licences and/or qualifications or lead to a suspension, downgrading or demotion of such permits, licences and/or qualifications. For example, if any of our vessels become unseaworthy, the Director of Marine may suspend the relevant licence required for operating such vessel. Furthermore, the validity of these permits, licences and/or qualifications may last for a limited period of time and may be subject to periodic reviews and renewal by the relevant governmental departments or organisations.

There is no assurance that all the required permits, licences and/or qualifications can be obtained, maintained or renewed in a timely manner or at all. Any changes in the existing governmental policies for the industries in Hong Kong where we operate may result in our failure to obtain or maintain such permits, licences and/or qualifications and we may be required to suspend our operations and may not be able to secure new projects, which would have a material adverse effect on our business, revenue and profitability.

The actual time and costs incurred in a marine construction or other civil engineering projects, which partly form the basis of the price determination of our tenders/quotations, may deviate from our estimated time and costs to be involved in such project due to unexpected circumstances, thereby leading to cost overruns and adversely affecting our operations and financial results

We determine the price of our tenders/quotations based on our estimated costs plus a certain mark-up margin. For details of the factors we take into account in making our cost estimate, please refer to the paragraph headed "Business – Business model and our operation – Marine construction works or other civil engineering works – 1. Invitation for tender or quotation, preparation and submission" in this prospectus. The actual time and costs incurred by us, however, may be significantly affected by various factors, including (i) the specifications, conditions and difficulties of the potential project; (ii) the duration of the potential project; (iii) the site location and unusual or unexpected conditions nearby; (iv) the resources availability; and (v) unfavourable weather conditions. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimates. As our contracts with customers during the Track Record Period were generally fixed sum contracts or re-measurement contracts whereby the unit prices stated in our bills of quantities are fixed without any price adjustment clause, once we agree on the quotation or tender price with our customers, we generally will have to bear any additional costs incurred. Such delays, cost overruns or mismatch of actual time and costs with our estimate may cause our profitability to be lower than what we expected or may expose us to litigations or claims from customers in case of delays, thereby adversely affecting our operations and financial results.

However, we cannot absorb the aforesaid uncertainties in determining the price of our tender/quotation by setting a relatively high mark-up margin as this will make our tender/quotation less competitive. On the other hand, if the mark-up margin set by us is too low, the gross profits may not be able to cover other potential loss arising from any unfavourable circumstances during project implementation. Our profitability in the project will hence be adversely and materially affected.

We recorded net current liabilities as at 31 May 2017 and we were in a position where we might not be able to meet short-term debts as and when they fell due

We recorded net current liabilities of approximately HK$1.2 million as at 31 May 2017. During the Track Record Period, the major components of our current liabilities were trade and other payables, contract liabilities and taxation payable. Our financial position recorded a net current asset position as at 31 May 2018, 2019 and 2020, respectively.

There is no assurance that our Group will not experience net current liabilities status in the future. If we fail to generate sufficient assets or funds which are current in nature from our operations, or if we fail to maintain sufficient cash and current assets which can be readily converted into cash, on one hand, we may not be able to meet short term debts when they fall due, on the other hand, we may not have sufficient funding for our business operations and capital expenditure, and our business and financial position will be adversely affected.

We may be involved in contractual or construction 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 dissatisfaction with the vessel chartered, delay in completion of marine construction works or other civil engineering works, personal injury claims, complaints about the quality of completed works and damages to site equipment arising from daily operations which may lead to claims for damages against us.

Further, in relation to marine construction works or other civil engineering works, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. Some of our projects may include contract terms whereby our customers and/or the main contractors are entitled to give instructions to vary the contract works, which we are generally obliged to follow. The value of such variations is generally ascertained by reference to the valuation principle as stated in the contract. If we and our customers have a different views on the valuation results, contractual disputes with our customers may arise. For the years ended 31 May 2017, 2018, 2019 and 2020, we recognised revenue of approximately HK$26.1 million, HK$37.7 million, HK$77.1 million and HK$9.7 million from variation orders, respectively, representing approximately 12.1%, 14.0%, 25.9% and 3.1% of our total revenue for the corresponding period.

There is no assurance that we may be able to resolve every instance of disputes by way of negotiation and/or mediation with the relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur significant expenses for defending ourselves or initiate proceedings against other parties to protect our interest. Furthermore, 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 fail to retain or recruit qualified personnel to operate our vessels

We rely on qualified personnel to operate our vessels. According to the applicable laws in Hong Kong, seafarers in Hong Kong, including coxswains and engine operators, shall hold a local certificate of competency. For details, please refer to the paragraph headed "Regulatory Overview – Laws and regulations in relation to our Group's business – marine construction and vessel chartering services – Local certificate of competency" in this prospectus.

There is no assurance that we will be able to retain or recruit sufficient number of qualified personnel to operate our vessels nor our employees will be able to renew their certificates timely or at all. In the event that we fail to identify and/or recruit replacement in a timely manner when our employees resign and/or fail to renew their certificates, we may face shortage of qualified personnel and our business operations may subject to delays or suspension as a result. Further, if the costs of staff increase in the future, our financial performance may be adversely affected.

We may experience delays in projects caused by delay in the commencement or execution of works

Despite our ability to secure new contracts, our revenue recognition will be affected by the progress of our projects. As the timing of commencement of works is generally determined by project owners or our customers, if any of our project sites is not ready on the expected commencement date stated in the relevant contract, the commencement and/or execution of our works will be delayed, and potentially also lead to a delay in the completion of our works.

The unreadiness of a project site may be caused by opposition from community or special interest groups, especially environmental groups given our business nature, or judicial review, such as the judicial review proceedings over the environmental impact assessment report for 3RS initiated in 2015 and dismissed in 2016. In addition, failure or delay in the Government's budget or funding approvals may also affect the work schedule of public sector projects and hence may delay the commencement dates of our public sector projects located in Hong Kong.

Delays in the commencement and/or execution of works can cause difficulties in matching workforce size, and vessels and site equipment allocation according to contract needs as we have already conducted project planning. We may also incur substantial costs without receipt of any corresponding revenue as our contract payments are normally based on our quantity of works completed or progress of our works. As such, delays in commencement and/or execution of our works may have a material adverse effect on our revenue recognised in the relevant financial year(s) and affect our liquidity, resource allocation, financial condition and results of operations.

Our business is subject to significant operating risks and hazards that could result in monetary losses or personal injury which could cause us to incur substantial costs and/or liabilities to damages

Our business and operations are generally subject to a number of risks and hazards, including (i) operations under difficult geological conditions; (ii) marine disasters; (iii) environmental accidents such as oil spills; (iv) property losses or damage; (v) bad weather such as thunderstorm and typhoon; (vi) grounding, fire, explosions and collision; and (vii) business interruption caused by mechanical failures, human error and strike. In particular, marine construction works are often affected by bad weather, especially during tropical cyclone season in Hong Kong every year. In case of typhoon or adverse weather conditions, our marine construction works will be suspended and vessels will have to be moved to shelters. Inclement weather increases the risk of cost overruns such as labour and idling of vessels and site equipment as well as the risk of damage to our completed works at the project sites and to our vessels and site equipment.

In addition, our business of marine construction works and other civil engineering works is exposed to environmental hazards, unusual or unexpected geological conditions, ground sliding or collapse of structures, collisions with fixed objects, disruption of transportation services, flooding, pirates, terrorist attacks, the opposition to projects by community or special interest groups. These risks can cause damage to or destruction of site equipment, vessels, maritime structures and buildings, and can also result in personal injury, environmental damage, performance delays, monetary losses and/or legal liability, loss of revenue from or termination of contracts, government penalty, fines or restrictions on conducting our business, high insurance rates and jeopardising our client relations; all of which may have a material adverse effect on our revenue and profitability.

Our safety record is an important consideration for our customers in maintaining business relationships. If any serious accident or fatality occurs in any of our projects, we may be held liable for damages and our safety record may be tarnished which may adversely affect our reputation, our eligibility to bid for certain works in future and our prospects for securing future work which in turn adversely affect our financial performance.

There is no guarantee that safety measures and procedures implemented at our project sites could prevent the occurrence of industrial incidents, which in turn may lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damages against us

We have adopted certain work safety measures and procedures for our staff and our subcontractors' staff. For details, please refer to the paragraph headed "Business – Occupational health and safety" in this prospectus. We rely on our staff to oversee the implementation of safety measures and procedures, and we cannot guarantee that all of the safety measures and procedures are strictly adhered to at any time, nor can we ensure that our safety measures and procedures are sufficient to prevent the occurrence of industrial incidents of all kinds. If the safety measures and procedures implemented at our project sites are insufficient or not strictly adhered to, it may result in industrial accidents which may in turn lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damages against us. These could result in significant financial loss and damages to our reputation in the industry and, therefore, may adversely affect our financial conditions. For details of the risk in relation to employees' compensation or personal injuries, please refer to the paragraph headed "Claims in connection with employees' compensation or personal injuries may arise and affect our reputation and operations" in this section.

Claims in connection with employees' compensation or personal injuries may arise and affect our reputation and operations

Injuries to workers and casualties at project sites are common inherent risks in the industries of marine construction works and other civil engineering works. For details, please refer to the paragraph headed "Business – Occupational health and safety" in this prospectus. As at the Latest Practicable Date, our Group was subject to one employees' compensation claim but no personal injury proceedings. We cannot guarantee that there will not be any further claim in connection with employees' compensation or personal injuries against us.

Claims of such nature expose us to the risk of bearing higher insurance premiums in the future and may damage the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. Such incidents may negatively affect our business prospects, reputation and results of operations.

Our business strategy to expand our other civil engineering works to capture the market growth may change our project mix and revenue contribution in the future, and the expected decrease in marine construction works during the Forecast Downturn will also contribute to a change in project mix in the short term, which may lead to a lower overall gross profit margin of our Group and adversely affect our financial performance

It is one of our business strategies to gradually expand our market share and enhance our track record in the civil engineering works industry to capture the market growth as according to the Ipsos Report, it is expected that the gross output value of the civil engineering works industry in Hong Kong will increase at a CAGR of approximately 4.4% from 2020 to 2024, primarily attributable to the ongoing demand of civil engineering works in Hong Kong. Further, the estimated construction costs of other civil engineering works under the 3RS project would amount to approximately HK$85.3 billion, and such include the third runway passenger building and terminal 2 modification/expansion. In view of the above, our Directors consider that gradually expanding our market share in other civil engineering works would be strategically beneficial for the future development and continue growth of our Group, and our Directors expect that there may be a change in our project mix and revenue contributions from marine construction works and other civil engineering works in the future.

In addition, our Directors expect that during the Forecast Downturn, our Group will undertake significantly less marine construction works due to the temporary decrease in reclamation-related marine construction projects during the Forecast Downturn, the result of which will also contribute to a change in project mix and revenue contributions for our Group in the short term.

During the Track Record Period, the average gross profit margin for our marine construction works segment and other civil engineering works segment were approximately 16.8% and 15.1%, respectively. Given the comparatively lower gross profit margin of other civil engineering works as compared with that of marine construction works in general, our expected change in project mix by undertaking more other civil engineering projects may cause our Group's overall gross profit margin to decrease and may adversely affect our financial performance.

We rely on our Board members and members of senior management team, and their departure would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and members of our senior management team. For details, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Key members of our management team play a pivotal managerial role in areas such as conducting our daily operations and formulating our business strategies.

In case of any unanticipated departure of any of our executive Directors or members of our senior management team, we may not be able to identify suitable replacements in a timely manner, or at all. Our business operations may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

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

It is one of our business strategies to strengthen our manpower by utilising a portion of net proceeds from the Share Offer for recruiting additional staff so as to cope with our business development. Therefore it is estimated that we will incur additional staff costs in accordance with the intended timing of deployment of the net proceeds for recruitment of additional staff. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Our planned recruitment of additional staff will increase our labour costs under direct costs and/or general and administrative expenses, but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned recruitment, our business and financial positions and prospect may be adversely affected.

We plan to undertake projects in the role of a main contractor to widen our business portfolio and customer base, however, such plan may or may not succeed. Further, the higher working capital requirements for a main contractor as compared to a subcontractor may tighten the operating cash flows of our Group

It is one of our business strategies to strengthen our market position and expand our market share by tendering for and undertaking projects in the role as a main contractor in public and private marine construction projects in Hong Kong, especially since our Group has been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019. During the Track Record Period and up to the Latest Practicable Date, our Group had tendered for seven marine construction projects in the role of a main contractor, five of which were unsuccessful and two of which the results were still pending as at the Latest Practicable Date. There is no assurance that we will be awarded with marine construction projects in the role of a main contractor in the short term or at all, or that our business plan can be successfully implemented.

Even if we are awarded with marine construction projects in the role of a main contractor, the working capital commitment of project where we act as a main contractor is expected to be higher as compared with projects where we act as a subcontractor because (i) a main contractor is responsible for higher upfront costs which include preparation of the construction site, procurement of materials, payment of insurance, fees and levy; and (ii) main contractor projects are usually sizable projects with relatively larger contract sum and of longer contract period than that of subcontractor projects. As a result, we would expect to record comparatively larger cash outflow when undertaking main contractor project(s) as compared with subcontractor project(s), and in particular, when we undertake multiple main contractor projects simultaneously at a particular period of time. Further, the higher working capital requirement of main contractor projects to be undertaken by us may tighten the operating cash flows of our Group, which may in turn adversely affect our financial conditions.

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

Given that our projects are contract-based and on a non-recurring basis, and our revenue and profit margin in respect of the marine construction projects, other civil engineering projects or vessel chartering arrangements would depend on the pricing of our quotations/tenders and unexpected obstacles in relation to our works or services which may include, among other things, the increase in length of contract period and costs, as well as the conditions of the relevant project site, there is no assurance that we will always be able to maintain similar levels of profitability as those 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 may 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 effectively implement our marine construction projects, other civil engineering projects and vessel chartering arrangements. Profit margin of our Group may fluctuate from contract to contract due to various factors such as the scope and complexity of the projects, labour costs, repair and maintenance costs of vessels, estimated material costs, subcontracting costs, and rental of vessels and equipment. There is no assurance that our revenue and profit margin in future will remain at a level similar to those we recorded during the Track Record Period, and our financial condition may be adversely affected by any decrease in our profit margin. Hence, our historical financial information should not be treated as the sole indicator of our future revenue and profit margin.

Worsening geopolitical tensions between China and U.S. have led to evolving sanctions or restrictions imposed by the U.S. on China and Chinese companies and may influence geopolitical position of other relevant jurisdictions or authorities, which could negatively affect our business and results of operations

Recently, the relationship between China and the U.S. has been deteriorating and has resulted in potential conflicts between China and the U.S. in trade, finance and other areas, and led to uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, may, through executive order, passing of legislation or other governmental means, implement measures that impose sanctions or restrictions against China or against targeted industry sectors, group of companies, organisations and/or persons based in China.

In August 2020, a number of Chinese companies, including certain subsidiaries of a Hong Kong listed company were added to the entity list ("**Entity List**") of The Bureau of Industry and Security ("**BIS**") in the U.S. Department of Commerce. A joint venture formed by such Hong Kong listed company together with two of its subsidiaries was one of our major customers during the Track Record Period. The Entity List is a tool utilised by BIS to restrict the export, re-export, and transfer (in-country) of items subject to the Export Administration Regulations in the U.S.. Policies of the United States tend to be followed by certain other countries, and these countries may adopt similar policies against such entities. These restrictions, and similar or more expansive restrictions may further be imposed by the U.S. or such other jurisdictions in the future.

The regulations are constantly evolving, and new persons and/or entities may be added to the Entity List or any other sanctions or restrictive lists from time to time. Further, new export/re-export/transfer of items/trade control requirements and/or restrictions could come into effect which may increase the scrutiny on our customer's business, or results in our business transactions with our customers or suppliers being subject to certain regulatory requirements, restrictions or deemed to have violated certain sanctions. If the authorities of the U.S. or any other jurisdictions were to determine that any of our business transactions with our customers constitute a violation of any sanctions or requirements of any sorts, or we are alleged to have violated certain applicable export controls, economic and trade sanctions, our business and reputation could be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Industry downturn in the industries in which our business operates may materially and adversely affect our financial operation and operating results

Our performance is dependent on the general economic conditions of the markets in which we operate, especially the marine construction works industry in Hong Kong for which the gross output value will be affected by the gross output of the reclamation works industry in Hong Kong which generally fluctuates significantly. According to the Ipsos Report, the marine construction works industry in Hong Kong is expecting a downward trend from 2020 to 2023, during which the gross output value of the reclamation works industry in Hong Kong will drop significantly. During the Track Record Period, we derived a substantial portion of our revenue from our marine construction projects involving reclamation works. There is no assurance that we will be awarded non-reclamation marine construction projects or other civil engineering projects of a comparable scale and quantity going forward. In such circumstances, our financial conditions and operating results would be materially and adversely affected.

We rely on a stable workforce to carry out our projects. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

We rely on a stable workforce, either employed by us or our subcontractors, to carry out our projects. In particular, a large number of construction workers, vessels and site equipment operators with various skills and expertise are required for each project. According to the Ipsos Report, however, the construction industry in Hong Kong is suffering from the challenges of labour shortage and aging workforce and the labour shortage rate was estimated at 7.8% among the 115 construction sites. Despite the increase in the average wage of construction workers at a CAGR of approximately 6.5% from 2013 to 2017, the construction labour shortage situation is still severe.

In the event that our Group have to carry out notable cost cutting measures, including lay-off of site workers during the Forecast Downturn, and we need to recruit site workers subsequent to the Forecast Downturn to accommodate the increase in construction works, we may not be able to hire sufficient number of site workers in a timely manner or at all, and our Group's financial performance and project work progress may be adversely affected.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs (including the labour costs of our subcontractors). However, in view of the current situation in the labour market, there is no assurance that the above problems will not arise in the future, and as a result of which, we may have to offer more attractive remuneration packages and other benefits to attract and retain labour and it cannot be assured that we will possess sufficient resources for such purposes. If we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and as a result may be subject to damages and/or incur a loss.

Risk associated with fluctuation in supply and price of raw materials

Our key raw materials include sand and geotextile materials for our marine construction works, and steel and concrete for our other civil engineering works. For the years ended 31 May 2017, 2018, 2019 and 2020, material costs incurred by us represented approximately 31.2%, 5.1%, 3.1% and 0.6% of our direct costs, respectively. We cannot guarantee that the material costs will be stable as we are exposed to the risk of fluctuations in price. The price and availability of materials may vary significantly from time to time due to various factors, such as export restrictions of the PRC, consumer demand, production capacity, market conditions and costs of the materials. Although some of our customers may be responsible for procuring raw materials for our projects, the risk from the increase in price may still adversely affect our profitability in projects which we are responsible for the materials.

There is no assurance that we can continue to source sufficient raw materials from our existing suppliers and/or alternative suppliers at the prevailing or acceptable price, in a timely manner or at all. If the supply of raw materials drops and we are not able to find alternative sources of supply or obtain sufficient quantity to complete our projects, our projects' work progress may be delayed. Moreover, we may not be able to factor in these potential fluctuations and risks into each of our tenders or quotations, pass on part or all of such increases to our customers and/or reduce other costs. If there is any shortage in the supply or increase in price of raw materials after the contracts are awarded to us, our financial results and position may be materially and adversely affected.

The demand for our marine construction works would be adversely affected by the delay in commencement of public sector construction projects such as lawmakers' filibustering, protests by affected residents, environmental and/or legal challenges faced by the government

For the years ended 31 May 2017, 2018, 2019 and 2020, our total construction related revenue generated from public sector construction projects were approximately 100.0%, 100.0%, 64.1% and 70.4% of our total construction related revenue, respectively. During the Track Record Period, our revenue was mainly derived from marine construction works in Hong Kong which were public sector works in nature. Public sector construction projects in Hong Kong rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, lawmakers' filibustering which leads to failure or delays in the passing of public sector construction projects funding proposals by the committees of the Legislative Council of Hong Kong may create uncertainties on the commencement date of certain public sector marine construction projects, including the Lung Kwu Tan project, the Sunny Bay project and the Siu Ho Wan project, which may adversely affect the demand for marine construction works, in particular, reclamation works, and the financial performance of our Group.

In addition, considering the recent state of political environment in Hong Kong, any protests by the affected residents in Hong Kong may also delay the relevant construction works to be carried out. Furthermore, the Government may also face environmental and legal challenges. Any significant delay in the commencement of the public sector projects may adversely and materially affect our Group's financial position.

Our operations and performance are predominantly dependent on the general economic and political conditions in Hong Kong and policies implemented by the Government

During the Track Record Period, we generated the majority of our revenue by provision of marine construction works, vessel chartering services and other civil engineering works to customers engaging in the public sector. The demand for our services is closely related to the level of Government spending on infrastructure projects and construction of public facilities, particularly those involving reclamation and other marine construction works in Hong Kong. The nature, extent and timing of these projects will be impacted by various factors such as Government spending on infrastructure, general macroeconomic conditions and Government policies, which are subject to changes. Should there be a significant reduction in Government spending on infrastructure projects and construction of public facilities, or any local economic downturn, adverse change in fiscal policies, taxation policies or legal regulations, we may be unable to secure new contracts which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The annual budget of the Government, including its estimates of expenditure in major infrastructure projects and construction of public facilities, is subject to the passing of the Appropriation Bill by the Legislative Council of Hong Kong. Upon the enactment of the Appropriation Ordinance, the estimates of expenditure are deemed to be approved to the extent that they are provided for in the Appropriation Ordinance. However, the passing of such bill may from time to time experience undue delay caused by prolonged discussion within the Legislative Council of Hong Kong which could in turn delay the implementation of Government funded projects and thereby may adversely affect our business. In recent years, there have been incidents where committees of the Legislative Council of Hong Kong failed to pass or delayed in passing funding or budget proposals of Government spending including funding of certain public sector projects. If the Government imposes any regulations that place additional restrictions or burdens on us or on the industries which we operate in, our overall business and results of operations may be materially and adversely affected.

In addition, the Government conducts public consultations prior to the implementation of major marine construction projects. Such consultation processes may be delayed as a result of demands from different lobbying groups for further tests, studies or reports to be commissioned or applications for judicial review. In particular, reclamation may be considered as a controversial issue in Hong Kong and the time for preparation and consultation on development involving reclamation may be lengthened before implementation. For instance, the "Lantau Tomorrow Vision" suggested in the 2018 Policy Address might have to go through a lengthy study and consultation process. The controversial nature in reclamation may also impose significant uncertainties on the Government's attitude in implementation of projects. These would result in delays in the implementation of public sector reclamation projects.

Since all of our operations are based in Hong Kong, any material political and legal developments in Hong Kong may pose threat to the stability of the Hong Kong economy, thereby directly and adversely affecting our results of operations and financial positions.

There is no assurance that Government policies or the economic or political environment in Hong Kong would not change and any change may adversely affect our business operations. Should there be a decrease in the level of Government spending due to any adverse changes in Government policies, or delays in implementation of any significant marine construction works or should our Group be unable to obtain substantial private sector projects in view of the then prevailing economic conditions in Hong Kong, our Group's business and results of operations may be adversely affected. Furthermore, any reduction in marine construction works or other civil engineering works could bring an adverse effect on our operations in the future.

Extraordinary events such as natural disasters epidemics, contagious disease outbreaks, social unrest and terrorist attacks may significantly delay, or interrupt our Group from completing our projects

Our overall business and results of operations may be materially and adversely affected by any adverse economic conditions due to extraordinary events beyond our control in Hong Kong where we operate, such as natural disasters, contagious disease outbreaks, social unrest or terrorist attacks which may significantly delay, or interrupt our Group from completing our projects.

In particular, there is a potential serious outbreak of the COVID-19 in Hong Kong where we operate. Currently, our business operation is not materially affected by COVID-19 and there is no suspension of work at our work sites. However, there is no assurance that there will not be significant outbreak of COVID-19 or other highly contagious disease in the future in Hong Kong, nor can there be any assurance that any precautionary measures against infectious diseases will be effective. If such a significant outbreak were to occur, together with any resulting restrictions on travel and/or imposition of quarantines which may materialise and persist for a substantial period, it could have a negative impact on the economy conditions and business activities in Hong Kong, which could in turn have a material adverse impact on our business, financial conditions, results of operations, performance and prospects. In addition, if any worker at any of our project work site become infected by COVID-19, workers may be quarantined and work site may be temporarily suspended and therefore the progress of our work may be adversely affected.

Changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on environmental protection, vessel operation and labour safety may cause us to incur substantial additional expenditure

Our business operations are governed by various laws, regulations and Government policies. The requirements in respect of our business operations may change from time to time, and we may not be able to respond to such changes in a timely manner or at all. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operations. For example, if there are any changes to and/or imposition of requirements for qualification in the civil engineering industry in relation to environmental protection, labour safety or for vessel operation and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

RISKS RELATING TO CAYMAN ISLANDS

The ability of Shareholders to bring actions or enforce judgments against our Company or our Directors may be limited

Our Company is incorporated under the laws of the Cayman Islands. As a result, a Shareholder may not be able to enforce a judgment against our Company or some or all of our Directors and executive officers outside the Cayman Islands. It may not be possible for a Shareholder to effect service of process upon our Directors and executive officers within the Shareholder's country of residence or to enforce against our Directors and executive officers' judgments of courts of the Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters against our Directors or executive officers who are residents of countries other than those in which judgment is made.

The laws of the Cayman Islands relating to the protection of interests of minority Shareholders may be different from those in Hong Kong

We are an exempted company incorporated in the Cayman Islands with limited liability and the laws of Cayman Islands may differ in some aspects from that of Hong Kong or other jurisdiction where investors may be located.

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 interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This means 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 on protection of minorities and shareholders' suits is set out in Appendix III to this prospectus.

RISKS RELATING TO THE SHARE OFFER

Our listing expenses, which are non-recurring in nature, would significantly and adversely affect our financial performance and results of operations

Our Directors estimate that the total estimated listing expenses in relation to the Share Offer are approximately HK$43.3 million, without taking into account any discretionary incentive fees, of which approximately HK$22.7 million is directly attributable to the issue of Offer Shares and will be capitalised and deducted from equity upon Listing, approximately HK$9.5 million and HK$7.2 million of listing expenses was charged to the consolidated statements of profit or loss and other comprehensive income for the years ended 31 May 2019 and 2020, respectively, and approximately HK$3.9 million is expected to be charged to the consolidated statements of profit or loss and other comprehensive income after the Track Record Period. Expenses in relation to the Listing are non-recurring in nature. Whether or not the Listing eventually occurs, a major portion of the Listing expenses would have been incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. As a result, our Directors wish to inform the Shareholders and potential investors that our Group's business, financial performance, results of operations and prospects would be significantly and adversely affected by the estimated expenses in relation to the Listing.

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

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

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

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

In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cashflow, success or failure of our efforts in implementing business and growth strategies, involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

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

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

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

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$0.09 per Share or HK$0.10 per Share based on the Offer Price at HK$0.225 per Offer Share (being the low-end of the proposed Offer Price range) or HK$0.27 per Share (being the high-end of the proposed Offer Price range), respectively.

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

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

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

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

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

Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on the distributions received from our subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend

Our Company is a holding company and our operating results and financial position entirely depends on the performance of our subsidiaries. Our Company's ability to pay dividends will depend on the level of distributions, if any, received from our subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the place(s) in which our subsidiaries operate.

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

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements, the provisions governing the declaration and distribution as contained in the Articles of Association or applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial Information – Dividends" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISKS RELATING TO STATEMENTS OF THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" in this prospectus and elsewhere in this prospectus relating to the industries in which we operate have been derived, in part, from various publications and industry-related sources prepared by the Government departments or Independent Third Parties. In addition, certain information and statistics set forth in that section have been extracted from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care in extracting and reproducing such information. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither us, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information.

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

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminologies such as "aim", "anticipate", "believe", "could", "continue", "estimate", "expect", "going forward", "intend", "may", "might" "plan", "potential", "predict", "project", "seek", "should" or "will", "would" and the negative of these words and other similar expressions. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are beyond our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS IN 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 and there are no other matters the omission of which would make any statement in 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 55,600,000 Shares initially offered by our Company and the Placing of 500,400,000 Shares initially offered by our Company (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 Sole 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.

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 Sole 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 into on or around the Price Determination Date, subject to any agreement on pricing of the Offer Shares between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse immediately. Further information relating to the Underwriters and underwriting arrangements 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 to 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 Sole 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 Sole 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 seek 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/its acquisition of the Offer Shares to have confirmed that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus and that he/she/it 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.

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 and to be issued pursuant to the Share Offer (including any Shares which may be allotted and issued pursuant to any 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 at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. 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 our principal register of members maintained by our Principal share registrar in the Cayman Islands, Ocorian Trust (Cayman) Limited, 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 Monday, 7 December 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 10,000 Shares each. The stock code of the Shares is 2110. 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 in issue and to be issued as mentioned in this prospectus 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.

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

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 Sole 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 disposal 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 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.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Heung Che Kan (向志勤)	Flat B3, 9/F Broadway Towers 6 Broadcast Drive Kowloon Tong Kowloon Hong Kong	Chinese
Ms. Lee Ming Chu Jade (李明珠)	Flat A, 3/F Yick Fai Building 20 Sai Ching Street Yuen Long New Territories Hong Kong	Chinese
Mr. Heung Yue Wing (向裕永)	8/F, Harita Court 199 Prince Edward Road West Kowloon City Kowloon Hong Kong	British
Independent non-executive Directors		
Mr. Chiu Tai Shing (邵大成)	G/F, Lot 135B, Pok Wai Yuen Long, New Territories Hong Kong	British National (Overseas)
Mr. Fung Hoi Fung (馮海風)	Flat 1, 15/F, Block A Tai Hang Building 4 Tai Hang Street Yuen Long New Territories Hong Kong	Chinese
Mr. Wan Wai Wing (温蔚榮)	Flat A, 2/F, Block 7 Island Harbourview 11 Hoi Fai Road Tai Kok Tsui, 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 Employees” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Red Sun Capital Limited** Unit 3303, 33rd Floor West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)*
Joint Bookrunners	**Zhong Jia Securities Limited** Unit D – F, 15/F, Neich Tower 128 Gloucester Road Wan Chai, Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)*
	Sinomax Securities Limited Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway 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)*
Joint Lead Managers	**Aristo Securities Limited** Room 101, 1/F On Hong Commercial Building 145 Hennessy Road Wanchai, Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)*
	ChaoShang Securities Limited Rooms 2206-2210, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO)*

Get Nice Securities Limited
10/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong
(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on Securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

Head & Shoulders Securities Limited
28-29/F, Queen's Road Centre
152 Queen's Road Central
Hong Kong
(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on Securities) regulated activities under the SFO))

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong
(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)

Red Eagle Securities Limited
Unit 1107, 11/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong
(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)

Legal advisers to our Company

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)

	As to Cayman Islands law: **Appleby** Suite 4201-03 & 12, 42/F One Island East, Taikoo Place 18 Westlands Road Quarry Bay Hong Kong *(Legal advisers as to Cayman Islands law)*
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **LC Lawyers LLP** Suite 3106, 31st Floor One Taikoo Place 979 King's Road Quarry Bay Hong Kong *(Solicitors of Hong Kong)*
Auditor and reporting accountants	**Crowe (HK) CPA Limited** 9th Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong *(Certified Public Accountants)*
Industry consultant	**Ipsos Asia Limited** 6th Floor, China Life Center Tower A One Harbour Gate 18 Hung Luen Road Hung Hom Hong Kong
Receiving bank	**DBS Bank (Hong Kong) Limited** 11/F, The Center 99 Queen's Road Central Hong Kong

Headquarter and principal place of business in Hong Kong as registered under Part 16 of the Companies Ordinance	Room 801, 8/F Keybond Commercial Building 38 Ferry Street Jordan Kowloon Hong Kong
Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Company secretary	Mr. Yeung Ming Fai（楊銘輝） Room A10, 7/F 343 Des Voeux Road West Sai Ying Pun Hong Kong
Authorised representatives	Mr. Heung Che Kan（向志勤） Flat B3, 9/F Broadway Towers 6 Broadcast Drive Kowloon Tong Kowloon Hong Kong Ms. Lee Ming Chu Jade（李明珠） Flat A, 3/F Yick Fai Building 20 Sai Ching Street Yuen Long New Territories Hong Kong
Audit Committee	Mr. Fung Hoi Fung（馮海風）*(Chairman)* Mr. Chiu Tai Shing（邵大成） Mr. Wan Wai Wing（温蔚榮）
Remuneration Committee	Mr. Wan Wai Wing（温蔚榮）*(Chairman)* Mr. Chiu Tai Shing（邵大成） Mr. Fung Hoi Fung（馮海風）
Nomination Committee	Mr. Heung Che Kan（向志勤）*(Chairman)* Mr. Chiu Tai Shing（邵大成） Mr. Wan Wai Wing（温蔚榮）

Compliance adviser	**Red Sun Capital Limited** Unit 3303, 33th Floor West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)*
Principal share register and transfer office in the Cayman Islands	**Ocorian Trust (Cayman) Limited** PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	**Tricor Investor Services Limited** Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	**Nanyang Commercial Bank, Limited** 151 Des Voeux Road Central Hong Kong **Shanghai Commercial Bank Limited** Lobby Floor, Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong
Company's website	***www.yuekanholdings.com*** *(information on the website does not form part of this prospectus)*

This and other sections of this prospectus contain information relating to the industry in which our Group operates. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by our Company and prepared by Ipsos, an independent market research agency. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Company and the Sole Sponsor have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, their respective directors and officers or any other parties involved in the Share Offer except Ipsos. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

Our Group has commissioned Ipsos, an independent market research agency which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the civil engineering works industry, reclamation works industry and local vessel chartering industry in Hong Kong at a fee of HK$678,000. Our Directors consider that such fee reflects market rates. To provide the above analysis, Ipsos combined the following data and intelligence gathering methodology: (i) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (ii) secondary desk research by gathering background information to support facts and identify trends on the industry; and (iii) performing client consultation to facilitate the research including in-house background information of the client (such as the business of our Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Ipsos is wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 18,000 personnel worldwide across 90 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Analysis in the Ipsos Report are based on the relevant published information available, including but not limited to, the latest published census data, information set out on the website and latest documents published by Government departments, latest meeting minutes and related documents published by the Legislative Council including but not limited to discussions of the public works sub-committee of the finance committee and the latest Industry forecasts published by Construction Industry Council in Hong Kong, up to the Latest Practicable Date which, to the extent possible, has taken into account the prevailing economic environment after the outbreak of COVID-19 as well as the following assumptions: (i) the global economy remains in steady growth across the period from 2020 to 2027; (ii) going forward the external environment is assumed to have no unexpected shocks, such as financial crises or natural disasters, that will influence the demand and supply of the reclamation works industry and local vessel chartering industry in Hong Kong from 2020 to 2027; (iii) the economic, social and political environment in Hong Kong was assumed to be stable for the period from 2020 to 2027; (iv) the Government is committed to increase the long-term land supply by various means; (v) there would not be any significant over-budget or under-budget in the ongoing and upcoming reclamation project; and (vi) the reclamation projects and large-scale projects would commence and complete according to the latest timetable published by the Government as of the Latest Practicable Date.

Market sizing and forecast models are based on the following parameters: (i) GDP and GDP growth rate in Hong Kong from 2015 to 2018 and forecast from 2019 to 2027; (ii) public expenditure on infrastructure in Hong Kong from 2015 to 2018; (iii) historical price trend of raw materials in the reclamation works industry and local vessel chartering industry; (iv) historical average daily wage of direct labour related to the local vessel chartering industry in Hong Kong from 2015 to 2018; (v) latest documents on the upcoming reclamation projects' timeline and budget published by Government, including but not limited to budget speech and policy address, report of the task force on land supply and relevant public information, publication, press release and website; (vi) latest documents on the upcoming reclamation projects' timeline and budget published by the Legislative Council, including but not limited to the discussion paper in the public works subcommittee of finance committee, discussion paper in the panel on development, discussion paper in panel on economic development and relevant documentations; (vii) the contribution of sub-contractors in the gross output value of the reclamation works industry; (viii) the number of licensed vessels in Hong Kong; and (ix) the annual work-done distribution ratio of reclamation projects collected from primary and secondary research.

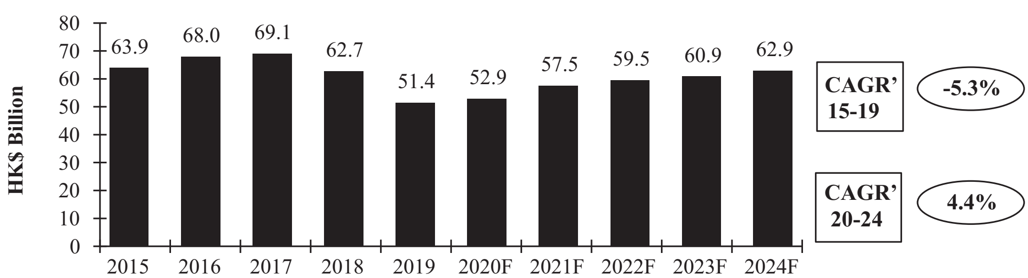
Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, information and belief after making reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

OVERVIEW OF THE CIVIL ENGINEERING WORKS INDUSTRY IN HONG KONG

Civil engineering works in Hong Kong encompass various types of works that include the design, construction, and maintenance of infrastructures such as roads, bridges, highways, canals and dams. Marine construction works and reclamation works are also categorised as part of civil engineering works.

Gross output value of civil engineering works industry in Hong Kong from 2015 to 2024F



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The gross output value of the civil engineering works industry in Hong Kong decreased from approximately HK$63.9 billion in 2015 to approximately HK$51.4 billion in 2019, representing a negative CAGR of approximately 5.3%. The growth from 2015 to 2018 was mainly attributable to the completed civil engineering projects such as "Development at Anderson Road", "Kai Tak development – stage 2 infrastructure at north apron area of Kai Tak Airport" and "Dredging of the sea-bed of the Kwai Tsing Container Basin" projects. However, in 2019, the gross output value of the civil engineering works industry experienced a notable decrease mainly due to completion of multiple mega projects by the end of 2018 and early 2019, including the Hong Kong-Zhuhai-Macau Bridge projects, which costed approximately HK$120 billion and commenced operation in October 2018. The Guangzhou-Shenzhen-Hong Kong Express Rail Link was also completed in June 2018, while the construction works of Tuen Mun-Chek Lap Kok Link and the Central-Wan Chai Bypass were also completed in 2018.

It is expected that the gross output value of the civil engineering works industry in Hong Kong will increase in a stable manner from approximately HK$52.9 billion in 2020 to approximately HK$62.9 billion in 2024, representing a CAGR of approximately 4.4%. Such increase is mainly attributed to the rising number of civil engineering works related projects. According to the 2019-2020 Budget, the Government planned to set aside an estimated public expenditure of approximately HK$79.0 billion in 2019-2020 on upcoming infrastructure projects. Moreover, according to the Financial Secretary, it is expected that Government expenditure on public works may exceed HK$100 billion annually in the upcoming few years, including public housing production, redeveloping hospitals and new town extensions. For instance, the Government has initiated reclamation works under the Tung Chung New Town Extension. Major infrastructure projects which were planned for commencement include but not limited to advance site formation and engineering infrastructure works at Kwu Tung North and Fanling North New Development Areas, Trunk Road T2, Kai Tak Development stage 4 and 5 and construction of Cross Bay Link in Tseung Kwan O. Under the 3RS project, apart from the reclamation works and marine construction works, the estimated construction cost of civil engineering works including the third runway passenger building and terminal 2 modification/expansion amounted to approximately HK$85.3 billion while the whole 3RS project is aimed to be completed by 2024. The table below sets forth examples of the major civil engineering works on the reclaimed land:

Project Name	**Major Civil Works on Reclaimed land**	**Estimated total contract value[1] (HK$ million)**
3RS	Third Runway Concourse	Approximately 26,300
	Automatic People Mover	Approximately 10,900
	Baggage Handling System	Approximately 7,800
	Third Runway and Associated Works	6,273.7
	Airfield Ground Lighting System	835.8
	New Integrated Airport Centres	440.7
	Fire Training Facility	301.5
	Eco-shoreline Along Reclaimed Area	167.8
Tung Chung New Town Extension	Provision of Infrastructure for Tung Chung Area 58	11.6
	Coastal Pedestrian Access, Footpath and Cycle Track	N/A[2]
	Construction of Marina	N/A[2]

Notes:

1 The estimated total contract value can be attributed to contract value of multiple contracts, depending on the project nature.

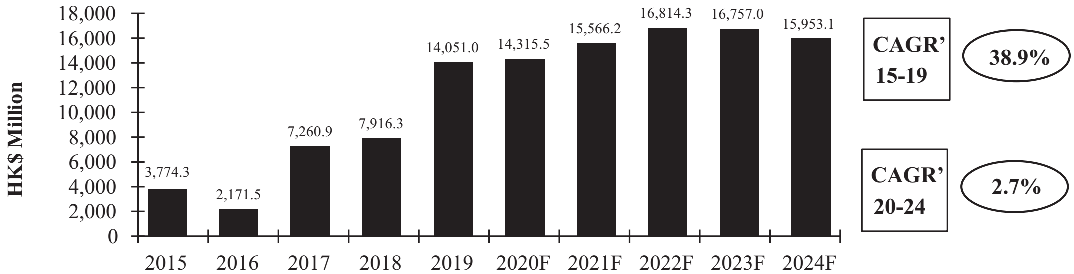
2 Information not publicly available as at the date of this submission

The increase in the public expenditure on infrastructure projects, therefore, continues to create opportunities in the civil engineering works industry in Hong Kong over the forecast period.

OVERVIEW OF THE SITE FORMATION WORKS INDUSTRY IN HONG KONG

Site formation work aims to provide a safe and firm ground for foundation and building works. Commonly, site formation begins with land levelling and slope, followed by forming land to the required orientation. If required, retention wall will be constructed for build-ups such as roadways, drainage and other related infrastructure or buildings.

Gross output value of site formation works industry in Hong Kong from 2015 to 2024F



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

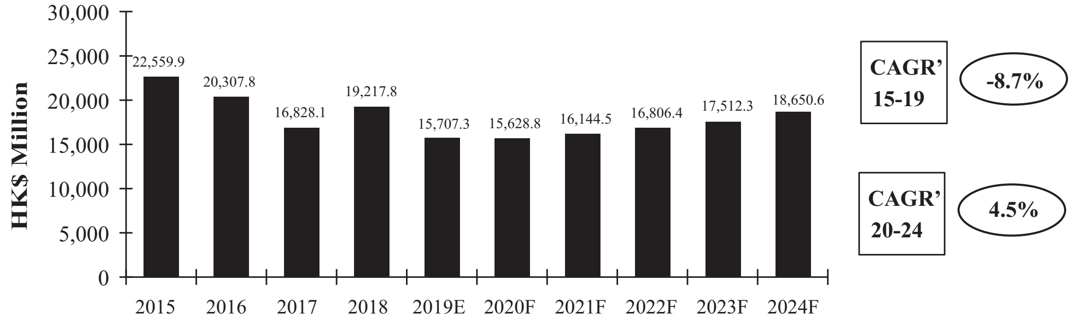
The total gross output value of site formation works industry in Hong Kong increased from approximately HK$3,774.3 million in 2015 to approximately HK$14,051.0 million in 2019, at a CAGR of approximately 38.9%. The industry recorded a significant decrease of approximately 42.5% in gross output value from 2015 to 2016, from approximately HK$3,774.3 million to HK$2,171.5 million. There were two crucial factors which drove the downturn, namely, the delay in approval of projects due to filibustering in the Legislative Council, and the decrease in average site formation contracts value caused by increased competition in the construction industry in Hong Kong. In light of the effects from the filibuster in the Legislative Council, projects had been postponed to 2017, especially the site formation and civil works in Liantang/Heung Yuen Wai Boundary Control Point. At the same time, a number of site formation works which generated significant amount of output value took place in 2017, such as the Tseung Kwan O – Lam Tin Tunnel and the Development of Anderson Road Quarry Site. Consequently, the output value of site formation industry rebounded by approximately 547.1% from approximately HK$2,171.5 million in 2016 to approximately HK$14,051.0 million in 2019. In 2019, the gross output value of the site formation works industry experienced a significant growth partly due to the commencement of major development projects in 2019, including among others, the Kwu Tung North and Fanling North New development Areas as well as public housing development projects in Tseung Kwan O and Yuen Long.

Throughout forecast period from 2020 to 2024, the total gross output value of site formation works industry in Hong Kong is expected to achieve stable growth from approximately HK$14,315.5 million to HK$15,953.1 million, at a CAGR of approximately 2.7%. In particular, in 2020, the gross output value of site formation works industry is expected to increase following ongoing large projects such as Public housing development project in Pok Fu Lam South, the large-scale plan of New Development Areas in Hung Shui Kiu, Tung Chung, Kwu Tung North and Fanling North is expected to commence in the coming years, the constant demand on providing more residential buildings to tackle the housing issue, and the consistent development of urban renewal and infrastructure, the gross output value of site formation works industry in Hong Kong is expected to remain steady in the forecast period. From 2022 to 2024, there is an expected slight decline in the gross output value, since some large projects are expected to move onto the next phase of the construction cycle, such as superstructure or building works, thus contributing less to the site formation works industry in Hong Kong.

OVERVIEW OF THE FOUNDATION WORKS INDUSTRY IN HONG KONG

Foundation works are substructure works performed to provide ground or base for structures to be built upon it, typically after site formation works.

Gross output value of foundation works industry in Hong Kong from 2015 to 2024F



Note: Forecast from 2020 to 2024 is a preliminary forecast and subject to changes, depending on a number of factors including but not limited to the latest construction output report from Census and Statistics Department, and the market development of the foundation works industry in Hong Kong

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

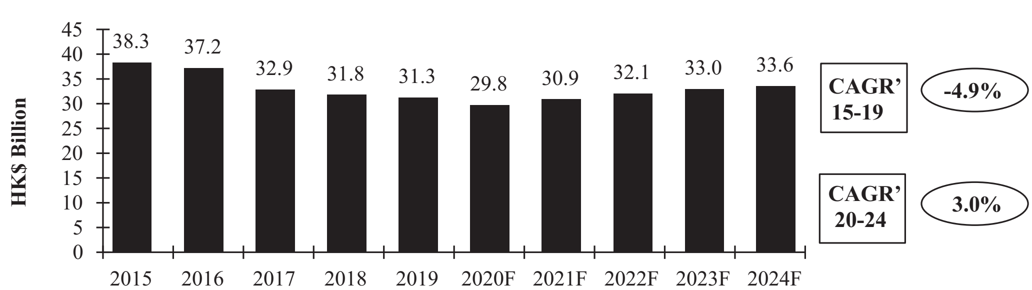
The gross output value of the foundation works industry in Hong Kong decreased from approximately HK$22,599.9 million in 2015 to HK$15,707.3 million in 2019, declining at a negative CAGR of approximately 8.7%. From 2015 to 2019, the fluctuation was due to filibustering during the funding approval sessions of the Legislative Council. However, large-scale infrastructure projects commenced over the historical period were mostly railway projects, which required fewer foundation works and consist of fewer superstructures relatively. Thus, causing the fluctuation in the foundation industry from 2015 to 2019 in Hong Kong.

The gross output value of the foundation works industry in Hong Kong is expected to increase from approximately HK$15,628.8 million in 2020 to HK$18,650.6 million in 2024, increasing at a CAGR of approximately 4.5%. The forecasted growth is mainly due to the Government's initiatives in increasing housing development including the increase in supply of residential land for private properties and urban redevelopment. The New Development Areas (Kwu Tung North and Fanling North), together with the West Kowloon Cultural District, Kai Tak Development and Lok Ma Chau Loop are the major key drivers of the foundation works market in the forecast period. In addition, the construction of the Hong Kong International Airport Three-Runway System Project began in 2016 and is expected to be completed by 2024. All these investments are expected to drive the total gross output value of the foundation works industry in Hong Kong.

OVERVIEW OF THE ROADS AND DRAINAGE WORKS INDUSTRY IN HONG KONG

Road works include the construction, modification and associated maintenance works of different types of roads and related structures, namely expressways, trunk roads, primary distributor roads, district distributor roads and local distributor roads; and footbridge. Drainage works include the construction and associated maintenance works of storm water facilities, sewage treatment facilities and utilities facilities.

Gross output value of roads and drainage works industry in Hong Kong from 2015 to 2024F



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

During the historical period from 2015 to 2019, the gross output value for roads and drainage works industry in Hong Kong decreased from approximately HK$38.3 billion in 2015 to approximately HK$31.3 billion in 2019, declining at a negative CAGR of approximately 4.9%. Numerous new road projects were rolled out over the past years to maintain road system efficiency and enhance the road transportation network, examples of notable projects include the Central Kowloon Route and the Tuen Mun – Chek Lap Kok Link. Changes in gross output value was primarily due to fluctuations in project volumes and project values due to different project stages. During the historical period, the gross output value peaked in 2015, which was largely attributable to an increased number of large-scale road projects commenced before 2015, including Central-Wan Chai Bypass and Tuen Mun-Chek Lap Kok Link. After reaching a peak in 2015 during the historical period, the gross output value of roads and drainage works industry in Hong Kong recorded slight year-on-year decrease from 2015 to 2019.

Going forward, the gross output value for roads and drainage work is expected to increase from approximately HK$29.8 billion in 2020 to approximately HK$33.6 billion in 2024, at a CAGR of approximately 3.0%. To maintain Hong Kong's long-term competitiveness and improve citizens' quality of life, new road projects are also expected to be initiated. For example, the construction works for Central Kowloon Route – Kai Tak West with an estimated project value of approximately HK$6.2 billion commenced in 2018. Moreover, road network development is needed for under-developed areas in the rural parts of Hong Kong. On the other hand, several large-scale drainage construction works will commence between 2019 and 2023, for instance, the West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme (IRTS) as well as the drainage improvement works at Yuen Long – Stage 1. Furthermore, the Government is planning to move sewerage plants into caverns, for instance, relocation of Sha Tin Sewage Treatment Works to caverns is the first step and more similar projects are under planning. Therefore, it is expected that in the coming years, more drainage infrastructure projects will be carried out which are expected to support the future growth in drainage works.

COMPETITIVE LANDSCAPE OF THE OTHER CIVIL ENGINEERING MARKET IN HONG KONG

Market drivers and opportunities

Continuous infrastructure spending boosts the growth of the other civil engineering works market

According to the 2018-19 Budget, the Government expected expenditure of the Capital Works Reserve Fund in 2017-18 fiscal year was revised to approximately HK$163.7 billion. From the fiscal year of 2018-19 to 2022-23, the Capital Works Reserve Fund is expected to be within the range of approximately HK$106.7 billion to HK$123.5 billion to support a series of infrastructure projects, including the Kai Tak Sports Part Project, 10-year Hospital Development Plan, railway projects and new town development projects. These projects will involve different civil engineering works such as site formation works, roads and drainage works, and foundation works.

Continued civil engineering works for a well-maintained city for Hong Kong's residents and visitors

Other civil engineering works, including but not limited to foundation works, site formation works as well as road and drainage works, are fundamental to Hong Kong's long-term competitiveness and citizen's quality of life. Therefore, there will be a constant demand of other civil engineering works projects alongside the continuous development of Hong Kong. Examples of road works include the Route 6 development which comprises main works including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Trunk Road T2 and Cha Kwo Ling Tunnel, and Hiram's Highway Improvement Stage 1 and 2; examples of drainage works include Enhancement Works for Kwun Tong Sewage Pumping Station, Construction of Additional Sewage Rising Main and Rehabilitation of the Existing Sewage Rising Main between Tung Chung and Siu Ho Wan as well as Upgrading of Kwun Tong Preliminary Treatment Works. In addition, examples of site formation and foundation works include the New Development Areas (Kwu Tung North and Fanling North), the West

Kowloon Cultural District, Kai Tak Development and Lok Ma Chau Loop. These roads, drainage, site formation and foundation projects in both private and public sectors in turn drives the other civil engineering works market in Hong Kong.

Government supports on labour training

A shortage of skilled labours has been a long existing problem in the labour-intensive civil engineering construction industry. In order to attract new entrants to the construction industry, the Development Bureau has cooperated with the Construction Industry Council to launch the Build Up Training Programme since 2010. One of the initiatives is implementing the Enhanced Construction Manpower Training Scheme (ECMTS) with enhanced training allowance in selected trades. Successful graduate trainees will receive a reasonable allowance during the training period and also a stable income from participating employers after graduation. The support and subsidies from the Government is anticipated to increase the supply of labour in a long term and hence further stabilizing the civil engineering construction industry.

Threats

Increasing construction costs and competition will hinder the profitability of the civil engineering contractors in Hong Kong

Similar to the construction industry in Hong Kong, civil engineering contractors also face the problem of increasing construction costs due to the increase in materials and labour costs. The average daily wage rate of construction workers in civil engineering works industry increased at a CAGR of approximately 4.4% from HK$1,067.5 in 2013 to HK$1,382.6 in 2019. On the other hand, strong competition in the industry also puts pressure on profitability of civil engineering works in the industry. With increasing level of competition, construction contractors may adopt a more price competitive approach during tendering process to increase their tender success rate. Amid rising operating costs, the profitability of the civil engineering works industry in Hong Kong might be hindered.

Insufficient experienced and skilled labour may threaten the development of civil engineering works industry in Hong Kong

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, concreters, plumber, metal works and general welders, etc.. However, it is expected that there will be a great demand for a large number of civil engineering workers due to the strong growth of civil engineering works industry in Hong Kong. The problem of insufficient experienced and skilled labour may threaten the development of Hong Kong's civil engineering works industry. Also, approximately 44.6% of construction workers were aged 50 or above during the period from 1 June 2019 to 31 May 2020 according to the Construction Industry Council, indicating the issue of ageing workforce and potential retirement of skilled workers due to old age in the short term. Consequently, the labour shortage problem faced by the Hong Kong construction industry including the civil engineering works industry may be worsened.

OVERVIEW OF THE MARINE CONSTRUCTION WORKS INDUSTRY IN HONG KONG

Marine construction works are the infrastructure works carried out offshore and near-shore. The common types of marine construction works in Hong Kong include, but not limited to, (i) seawall and reclamation; (ii) pier and port construction and maintenance; (iii) marine tunnel related works; (iv) road and bridge works; and (v) submarine cable/pipeline works.

A number of marine construction projects were initiated by the Government in recent years. The table below sets forth examples of on-going and under-planning marine construction projects (excluding reclamation works projects which are set out further below):

Project name	Target completion date	Estimated total contract value (HK$ million)	Description
Dredging of the sea-bed of the Kwai Tsing Container Basin	2020	488.0	Dredging of the sea-bed of the Kwai Tsing Container Basin and portions of Northern Fairway and Western Fairway to enable ultra large container ships having a maximum design draught of 15.5m to navigate in and out the Kwai Tsing Container Terminals at all tides
Development of Lok Ma Chau Loop – land decontamination and advance engineering works	2021	313.0	Decontamination treatment within the Lok Ma Chau Loop; Establishment of an ecological area and ground treatment works
Reconstruction of Pak Kok Pier on Lamma Island	2022	72.4	Reconstruction of the existing pier (including provision of ancillary facilities such as roof cover, lighting system, benches and solar panels etc.)
Cross Bay Link, Tseung Kwan O	2022	5,600.0	Construction of the main bridge of Cross Bay Link, Tseung Kwan O and the ancillary viaducts; Approximately 1.8 kilometres long dual two-lane carriageway with a cycle track and a footpath across Junk Bay mainly on viaduct
Design, Build and Operate First Stage of Tseung Kwan O Desalination Plant	2022	6,141.8	Construction of the seawater intake and submarine outfall facilities of the proposed desalination plant
Hong Kong Offshore Liquefied Natural Gas (LNG) Terminal	2022	N/A*(Note)*	Installation of submarine pipelines to connect the berth jetty to onshore gas end-users such as power plants
Kai Tak development – infrastructure for developments at the former runway and south apron	2023	1,480.0	Construction of a salt water pumping station and associated water intake
The Brothers Marine Park – Deployment of Artificial Reef	2023	N/A*(Note)*	Deployment of a number of artificial reefs in The Brothers Marine Park to provide artificial habitat for the purposes of marine and fisheries resources enhancement
Central Kowloon Route-Kai Tak West	2025	6,240.0	Construction of an approximately 370-metre underwater tunnel and the associated temporary reclamation in Kowloon Bay; Construction of an approximately 160-metre cut and cover tunnel in Ma Tau Kok; Construction of an approximately 125-metre depressed road and an approximately 170-metre underpass in the Kai Tak Development
Trunk Road T2 and Cha Kwo Ling Tunnel – Construction	2025	7,528.2	Construction of a dual two-lane trunk road of approximately 3.4 km long, with about 3.1 km in the form of a tunnel
Preservation of Queen's Pier	N/A*(Note)*	N/A*(Note)*	Preservation of the retainable parts of the above-ground structure of the pier; Strengthening of the preserved parts and reassembly of the pier

Note: Information is not publicly available

Sources: Civil Engineering and Development Department, HKSAR; Highways Department, HKSAR; Ipsos research and analysis

The table below sets forth the estimated gross output value of the marine construction works industry in Hong Kong, the percentage attributed to 3RS as well as non-3RS projects as well as the gross output value of non-reclamation marine construction works industry in Hong Kong from 2015 to 2027:

Year	**2015**	**2016**	**2017**	**2018**
Gross output value of marine construction works industry (HK$ billion)	15.8	18.1	21.8	27.3
Contribution of 3RS-related marine construction works to the gross output value of marine construction works industry	–	18.0%	38.0%	61.7%
Contribution of Non 3RS-related marine construction works to the gross output value of marine construction works industry	100%	82.0%	62.0%	38.3%
Gross output value of non-reclamation marine construction works industry (HK$ billion)	12.3	14.9	13.5	10.4

Year	2019	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F
Gross output value of marine construction works industry (HK$ billion)	24.4	25.3	24.0	15.2	9.3	9.4	10.5	16.9	29.9
Contribution of 3RS-related marine construction works to the gross output value of marine construction works industry	51.0%	32.8%	17.3%	–	–	–	–	–	–
Contribution of Non 3RS-related marine construction works to the gross output value of marine construction works industry	49.0%	67.2%	82.7%	100%	100%	100%	100%	100%	100%
Gross output value of non-reclamation marine construction works industry (HK$ billion)	8.52	10.74	11.03	11.59	8.33	9.39	8.9	8.6	8.7

Source: Ipsos research and analysis

The gross output value of the marine construction works industry in Hong Kong is expected to increase from approximately HK$25.3 billion in 2020 to approximately HK$29.9 billion in 2027, growing at a CAGR of approximately 2.4%. Such CAGR can be broken down into two phases, (i) the first phase being from 2020 to 2023, which showed a temporary downward trend from approximately HK$25.3 billion in 2020 to approximately HK$9.3 billion in 2023, representing a negative CAGR of approximately 28.3%; and (ii) the second phase being from 2024 to 2027, which showed a recovery trend from approximately HK$9.4 billion in 2024 to approximately HK$29.9 billion in 2027, representing a CAGR of approximately 47.0%. The decline in the gross output value from 2021 to 2023 is mainly attributed to the drop in the gross output value of the reclamation works industry in Hong Kong, which accounted for approximately more than half of the gross output value of marine construction works industry in Hong Kong from 2019 to 2021. With the decline in the gross output value of the reclamation works industry in Hong Kong from 2021 to 2023 due to the delay of the Sunny Bay, Lung Kwu Tan and Siu Ho Wan Projects ("**Upcoming Projects**"), the gross output value of the marine construction works industry in Hong Kong, therefore, declines from approximately HK$24.0 billion in 2021 to approximately HK$9.3 billion in 2023. The 3RS reclamation project is expected to account for approximately 50.8%, 32.8% and 17.2% of the total marine construction works industry in Hong Kong in 2019, 2020 and 2021, respectively. Apart from the 3RS reclamation project, the Government has taken forward several large-scale marine construction projects, including (i) Cross Bay Link, Tseung Kwan O (TKO) – main bridge and interchange; (ii) construction of tunnels under the sea-bed of Kowloon Bay and at Ma Tau Kok; and (iii) dredging of the sea-bed of the Kwai Tsing Container Basin. With an aim to providing an alternative access route to the south-eastern part of TKO, the Cross Bay Link projects with a total contract value of approximately HK$3.3 billion was initiated by the CEDD for the construction of the TKO interchange and a one-kilometer long marine viaduct. The projects are scheduled for completion in 2021 and 2022, respectively. In the long term from 2023 onwards, it is also projected that there will be adequate demand in the marine construction works industry in Hong Kong. For instance, several large-scale marine construction projects such as Central Kowloon Route-Kai Tak West and Trunk Road T2 and Cha Kwo Ling Tunnel - Construction, each with a total contract value of HK$6.2 billion and HK$7.5 billion respectively, are expected to be completed in 2025.

The gross output value of non-reclamation marine construction works industry in Hong Kong is expected to grow stability throughout the forecast period. The gross output value is expected to decline from approximately HK$10.7 billion in 2020 to HK$8.7 billion in 2027, declining at a negative CAGR of approximately 3.0%. Such CAGR can be broken down into two phases, (i) the first phase being from 2020 to 2022, which showed an increase from approximately HK$8.52 billion in 2020 to approximately HK$11.59 billion in 2022, representing a CAGR of approximately 10.8%; and (ii) the second phase being from 2023 to 2027, which showed an increase from approximately HK$8.33 billion in 2023 to approximately HK$8.7 billion in 2027, representing a CAGR of approximately 1.0%. The rise of the gross output value from 2020 to 2022 is mainly attributed to the construction of Cross Bay Link in Tseung Kwan O. With the expected completion of the Cross-Bay Link in 2022, the gross output value of the non-reclamation marine construction works industry in Hong Kong is then expected to drop in 2023 and steadily grow from 2024 to 2027.

Our Group recorded approximately HK$175.3 million of revenue from marine construction works for the year ended 31 May 2019, which accounted for approximately 0.7% of the total market share of the marine construction works industry in Hong Kong for 2019 in terms of revenue.

OVERVIEW OF THE RECLAMATION WORKS INDUSTRY IN HONG KONG

According to the Foreshore and Sea-bed (Reclamations) Ordinance, reclamation works includes any work over and upon the shore and bed of the sea and of any tidal water within Hong Kong below the line of the high water mark.

Reclamation has historically been an effective way of providing land for development in Hong Kong. Several reclamation projects were initiated by the Government in recent years. The 3RS project initiated by the Airport Authority is one of the major reclamation projects in Hong Kong since August 2016. As of June 2020, there were eight projects which include reclamation works in Hong Kong, six out of which are related to the 3RS project. The tables below set forth the on-going and under-planning reclamation projects in Hong Kong:

On-going projects

Project name	Target completion date	Contract no.	Estimated value of reclamation works *(HK$ million)*	Description
3RS project	Mid 2021	3201	3,686.9	Deep cement mixing works (Package 1)
		3202	2,813.9	Deep cement mixing works (Package 2)
		3203	2,120.9	Deep cement mixing works (Package 3)
		3204	1,800.0	Deep cement mixing works (Package 4)
		3205	3,314.8	Deep cement mixing works (Low headroom)
		3206	15,264.0	Main reclamation works
Tung Chung New Town Extension	2023	NL/2017/03	12,076.3	Reclamation of the sea-bed at Tung Chung East by non-dredging methods to form a total of about 130 hectares of land and construction of seawalls
Integrated Waste Management Facilities Phase 1	2024	N/A	1,143.3	Reclamation works of approximately 16 hectares of land to form an artificial island near Shek Kwu Chau

Sources: Airport Authority, HKSAR; Civil Engineering and Development Department, HKSAR; Legislative Council, HKSAR; Ipsos research and analysis

Under-planning projects

Project name	Tentative land formation time	Estimated contract value *(HK$ billion)*	Description
Sunny Bay Reclamation, North-East Lantau Island	2030-2032	8.6	Reclamation of approximately 60-100 hectares of land
Lung Kwu Tan Reclamation	2030-2032	25.4	Reclamation of approximately 220-250 hectares of land
Ma Liu Shui Reclamation	Subject to review	N/A	Reclamation of approximately 60 hectares of land
Siu Ho Wan Reclamation and Landside Development, North Lantau	2030-2032	7.6	Reclamation of approximately 60-80 hectares of land
Kau Yi Chau Artificial Islands	2032 (first population intake)	140	Reclamation of approximately 1000 hectares of land

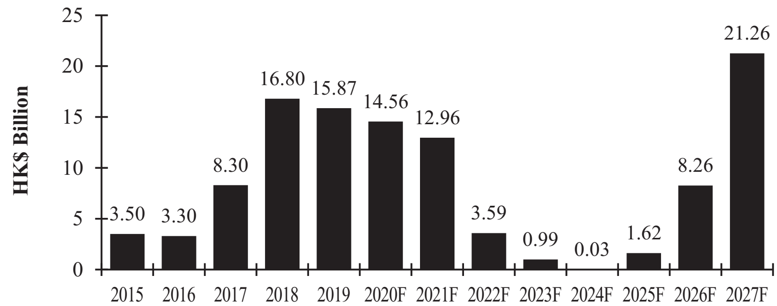
Note: The estimated contract value of each under-planning project is indicative in nature and for reference only. The assumptions for estimation are subject to the findings of subsequent studies, design changes and construction price level adjustment.

Note: The tentative land formation time is estimated by Ipsos bases on the latest project status as well as well the average reclamation works period

Sources: Development Bureau, HKSAR; Legislative Council, HKSAR; Ipsos research and analysis

Gross output value of the reclamation works industry

Gross output value of the reclamation works industry in Hong Kong from 2015 to 2027F



Note: Forecast of the gross output value is subject to change pending on the Legislative Council's funding approval

Sources: Legislative Council, HKSAR; Highways Department, HKSAR; Ipsos research and analysis

Gross output value of the reclamation works industry in Hong Kong increased from approximately HK$3.5 billion in 2015 to approximately HK$15.9 billion in 2019. Such increase in gross output value from 2016 to 2018 was mainly attributed to the 3RS project, which was initiated by the Airport Authority in August 2016. Under the 3RS project, an estimated 650 hectares of land in aggregate will be reclaimed. The 3RS project comprises a total of six reclamation contracts, with contract value ranging from approximately HK$1.8 billion to approximately HK$15.3 billion. Such large-scale reclamation works project requires a number of main contractors as well as subcontractors to carry out the works, which was a significant contributor for the gross output value of the reclamation works industry in 2018.

The table below sets forth the annual contribution of each key reclamation project to the expected gross output value of the reclamation works industry from 2019 to 2027:

Year	2019	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F
3RS	78.3%	56.9%	32.0%	–	–	–	–	–	–
Tung Chung New Town Extension	20.9%	42.3%	61.4%	81.2%	79.9%	–	–	–	–
Reclamation works under the Integrated Waste Management Facilities Phase 1	0.8%	0.8%	6.6%	18.8%	20.1%	100%	–	–	–
Siu Ho Wan Reclamation Project	–	–	–	–	–	–	18.2%	18.2%	18.2%
Sunny Bay Reclamation Project	–	–	–	–	–	–	20.8%	20.8%	20.8%
Lung Kwu Tan Reclamation Project	–	–	–	–	–	–	61.0%	61.0%	61.0%

Source: Ipsos research and analysis

Gross output value of the reclamation works industry in Hong Kong is projected to be approximately HK$14.6 billion in 2020 and approximately HK$21.3 billion in 2027. In 2018, CEDD signed a contract of approximately HK$12.1 billion for reclamation works in Tung Chung East. The project is expected to form a total of approximately 130 hectares of land and to be completed in 2023. The temporary downturn of the gross output value from 2022 to 2024 was mainly due to the completion of the on-going reclamation projects. Nevertheless, the Government has been striving to identify potential sites for reclamation works. In a typical reclamation project, the reclamation works can be carried out after the completion of (i) technical feasibility study; (ii) planning and engineering study including public engagement (PE) exercises; (iii) environmental impact assessment (EIA); (iv) Town Planning Ordinance/Foreshore and Seabed (reclamation) Ordinance procedures; and (v) detailed design. According to the Development Bureau, it may take approximately 7 to 8 years to complete the aforementioned studies before the commencement of the reclamation works. The CEDD has conducted technical feasibility study, public engagement exercises and Environmental Impact Assessment ("**EIA**") on several potential near-shore reclamation sites. It is expected that application for the Legislative Council's funding approval will be carried out by the end of 2020 for further detailed study on Sunny Bay and Siu Ho Wan reclamation sites. Upon approval for the aforementioned reclamation sites, it is expected that more than 340 hectares of land will be reclaimed. The forecast on the gross output value of the reclamation works industry has considered the delay of the Upcoming Projects. Having considered the latest Legislative Council document as well as the timeline of past reclamation projects in Hong Kong, it is estimated that the Upcoming Projects are expected to commence in mid-2025, subject to funding approval of the Legislative Council. The under-planning reclamation projects are therefore anticipated to propel the reclamation works industry in Hong Kong during the forecast period.

The table below sets forth the status of the Lung Kwu Tan, Siu Ho Wan and Sunny Bay projects:

	Lung Kwu Tan Reclamation Project	**Siu Ho Wan Reclamation Project**	**Sunny Bay Reclamation Project**
Strategic Environmental Assessment	Commenced in June 2011 and completed		
Public Engagement Exercise	Initial Public Engagement Exercise conducted from 21 March 2013 to 21 June 2013 Public Engagement Exercise was also conducted by Task Force for Land Supply from 26 April 2018 to 26 June 2018		
Cumulative EIA Study	Commenced in March 2015 and completed		
Technical Feasibility Study	Commenced in October 2015 and completed	Commenced in July 2015 and completed	Commenced and completed (time of commencement is not publicly available)
Funding Approval for Planning and Engineering Study of the Legislative Council of Hong Kong	Pending for seeking support from the Public Works Subcommittee	Pending for seeking support from the Public Works Subcommittee	Consulted the Panel on Development in 2017, pending for seeking support from the Public Works Subcommittee

Note: Based on information available as at the Latest Practicable Date
Sources: Civil Engineering and Development Department, HKSAR; Development Bureau, HKSAR; Ipsos research and analysis

The initial Public Engagement ("**PE**") exercise was conducted and co-organized by the Development Bureau, the CEDD and the Planning Department in 2013 to seek public views on the possible land uses for five potential reclamation sites ("**PRS**") including Lung Kwu Tan, Siu Ho Wan, Sunny Bay, Tsing Yi Southwest and Ma Liu Shui. The Task Force of Land Supply has also conducted PE activities to introduce the details of the land supply options and to gauge public opinions in 2018. PE exercises and activities included focus group meetings, topical discussions, public forums and roving exhibitions.

The Cumulative EIA study was conducted in 2015 to assess the total environmental effects of the three identified PRS, namely Lung Kwu Tan, Siu Ho Wan and Sunny Bay. Four environmental aspects, including air quality, water quality, ecology and fisheries were assessed. According to the CEDD, the study assessments identified that there would be no major issues on the four environmental aspects that would prevent the PRS from being carried forward to the next stage for further studies.

The main objectives of technical feasibility study include determining the feasible extent of reclamation works, assessing the engineering feasibility for reclamation works and identifying land use themes. For instance, Lung Kwu Tan reclamation site was proposed to be developed for industrial and other uses, while Siu Ho Wan reclamation site was proposed to be developed for educational use.

The fact that these activities were commenced as early as 2011 demonstrates that the Government considers reclamation to be and shall remain to be one of the main initiatives to increase land supply in Hong Kong, and it has continued to press ahead with the reclamation works projects from a conceptual stage to a concrete plan.

COMPETITIVE LANDSCAPE OF THE RECLAMATION WORKS INDUSTRY IN HONG KONG

The reclamation works industry in Hong Kong is concentrated with a few number of players. As of November 2020, there were 26 contractors under Group C of the Port Works category in the List of Approved Contractors for Public Works who can undertake reclamation works projects with contract value exceeding HK$300 million. The competition among existing players is intense. The possession of skilled technical team to practise an effective reclamation method and the possession of vessel fleet are the two major factors of being competitive in the reclamation works industry.

Top five players in the reclamation works industry in Hong Kong in 2019

The top five players in the reclamation works industry in Hong Kong accounted for approximately 40.0% of the total market share in 2019 in terms of their estimated revenue generated from reclamation works. Our Group, as one of the subcontractors for the reclamation works industry in Hong Kong, recorded approximately HK$175.3 million of revenue for the year ended 31 May 2019, which accounted for approximately 0.5% of the total share market share of the reclamation works industry in Hong Kong for 2019 in terms of revenue. The table below sets forth the estimated revenue and market share of the top five reclamation works contractors in 2019:

Rank	Company	Company background	Estimated revenue in 2019 *(HK$ Million)*	Market share *(%)*
1	Company A	A private company in Hong Kong founded in 1982, specialising in civil engineering works, building construction works and marine construction works	1,717.2	10.8
2	Company B	A listed company in Hong Kong found in 2006, specialising in design and construction of transportation infrastructure	1,656.5	10.4
3	Company C	A listed Korean company founded in 1938, specialising in civil engineering works and building construction works	1,376.4	8.7
4	Company D	A listed company in Hong Kong with over 35 years of experience, specialising in civil engineering works, building construction works and environmental works	1,152.2	7.3
5	Company E	A Mainland China Company found in 2015, specialising dredging works and port works	442.3	2.8
	Others		9,521.7	60.0
	Our Company		83.2	0.5
	Total		15,866.3	100.0

Source: Ipsos research and analysis

Market drivers and opportunities

Introduction of environment-friendly reclamation method

The environmental damages brought by reclamation works have long been an opposition force in carrying out reclamation projects. Traditional reclamation methods are not viewed as environment-friendly as it will stir up mud and pollutants from the sea-bed. Since 2001, the number of reclamation projects has been dropping.

The introduction of non-dredging reclamation methods, such as deep cement mixing method, reduce the number of pollutants stirred up from the sea-bed and prevent the marine ecosystem from being damaged. Such reclamation methods lessened the concerns about the adverse environmental impact brought by the reclamation process. The non-dredging method was first introduced in the Hong Kong Boundary Crossing Facilities artificial island project and has been adopted in Hong Kong since late 2011. From 2013 to 2017, the cumulative reclamation area increased from approximately 68.3 square kilometers to approximately 70.3 square kilometers. The introduction of environment-friendly reclamation method has helped reclamation works to regain its reputation as an alternative to increase land supply, therefore driving the development of the reclamation works industry.

Increasing demand for land supply

Hong Kong is known as a densely-populated city. In 2017, the population density in Hong Kong reached approximately 6,830 people per square kilometre. According to the World Bank, the population in Hong Kong is expected to increase from approximately 7,508.0 thousand in 2019 to approximately 7,728.0 thousand in 2023. The projected rising population is anticipated to generate an increasing demand for land to accommodate the growing number of residents. As per the Chief Executive's 2018 Policy Address, surging property prices and shortage of housing supply are major livelihood concerns of the public. As one of the alternatives to increase land supply, reclamation can generate new lands to meet the demand for land uses and to address the surging property prices. Hence, the increasing demand for land is anticipated to propel the reclamation works industry in Hong Kong.

Government's initiatives in taking forward reclamation works projects

With an aim to meeting long-term demand for land and development needs, the Government has been studying several land supply options, one of which includes near-shore reclamation outside Victoria Harbour. Six potential reclamation sites were identified, and it is expected that a total of approximately 340 to 430 hectares of land will be provided at Sunny Bay, Lung Kwu Tan and Siu Ho Wan by 2030 to 2032. In addition, under the Tung Chung New Town Extension Development Plan, reclamation works of approximately 130 hectares of land are expected to be completed.

The Lantau Tomorrow Vision was announced in the 2018 Policy Address, under which the first phase of development will focus on the artificial islands around Kau Yi Chau, with a total reclaimed area of approximately 1,000 hectares. According to the Legislative Council, the estimated construction cost on the reclamation works of Kau Yi Chau Artificial Islands would be HK$140 billion. For the studies related to Kau Yi Chau Artificial Islands, the Government plans to seek funding approval from the Finance Committee of the Legislative Council. The Government has re-stressed the importance of reclamation as one of the possible strategic options for securing Hong Kong's long-term land supply for long-term social and economic development in the 2020-2021 Budget Speech. The Government's initiatives in taking forward reclamation works projects are expected to drive the reclamation works industry in the long term in Hong Kong.

The following table sets forth the implementation details of the Lantau Tomorrow Vision:

Projects	Ballpark estimate of construction costs (September 2018 prices)		Estimated contract value
Kau Yi Chau Artificial Islands	Reclamation works HK$140 billion	Infrastructures HK$116 billion	HK$256 billion
Kau Yi Chau – Hong Kong Island Corridor (Road)	7 kilometres in total (4 kilometres across the sea)		HK$55 billion
Kau Yi Chau – Hong Kong Island Corridor (Rail)	5 kilometres in total (4 kilometres across the sea)		HK$38 billion
Kau Yi Chau – Lantau Road Link	6 kilometres in total (3 kilometres across the sea)		HK$19 billion
Kau Yi Chau – Sunny Bay Rail Link	9 kilometres in total (3 kilometres across the sea)		HK$52 billion

Note: The assumptions for estimation are subject to the findings of subsequent studies, design changes and construction price level adjustment.

Sources: Legislative Council, HKSAR; Ipsos research and analysis

Entry barriers

Industry reputation and proven track record

Past project experience and proven track record are important assessment criteria in the tendering process. Contractors with a good industry reputation and proven track record can provide confidence and reliability to the customer about the quality of the work and hence increase the success rate in tendering. New entrants with the lack of proven record and experience may find it difficult to compete with the existing established competitors in the market during the tendering process.

High capital requirement

Capital requirement for reclamation works is an important factor that needs to be considered by new entrants. Prior to the initiation of a reclamation project, contractors may need a large amount of capital to charter or purchase vessels required to perform reclamation works. Capital is also required in leasing specialised machinery, recruiting skilled labours and experienced management expertise, and other payment for suppliers and subcontractors. Insufficient capital can lead to deferred payment, which may result in delayed project executions. New entrants without a sufficient amount of initial capital may face difficulties in business operations.

Threats

Impacts of filibustering

Filibusters have been staged during the Legislative Council's scrutiny of the Appropriation Bills as well as other bills and public funds. Filibustering has affected the development of the marine construction works industry, especially from the perspective of reclamation works in Hong Kong in recent years. The opposition from environmentalists and certain members of the Legislative Council may cause the suspension of Government funding, which might affect the work schedule or delay the commencement date of reclamation works projects. The continuance of filibustering in the Legislative Council may hinder the development of the industry.

Rising raw material costs

Raw material costs account for a large proportion of the total costs in conducting reclamation works. Since 2006, the PRC Government has been implementing various export restrictions on natural sand, including river sand and marine sand. Alternatively, reclamation works contractors may import marine sand from overseas countries such as the Philippine and Malaysia. The transportation costs from overseas markets have led to a higher price of imported marine sand. According to the Census and Statistics Department, the import price of natural sand increased from approximately HK$44.2 per tonne in 2013 to approximately

HK$62.1 per tonne in 2017. The limited supply of marine sand from the PRC and the high price of imported marine sand may adversely affect the profit potential of reclamation works contractors, hindering the growth of the reclamation works industry in Hong Kong.

Labour shortage in the construction industry

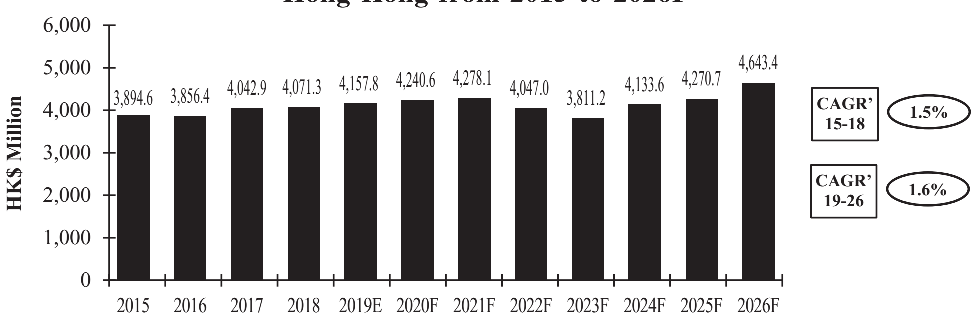
Labour shortage has been a sustained problem in the construction industry due to the ageing labour force and the decreasing number of young workers joining the industry. According to the construction labour shortage survey conducted by the Hong Kong Construction Association in November 2018, the labour shortage rate was estimated at approximately 7.8% among the 115 construction sites. Contractors are paying a higher wage to retain existing skilled workers and attract more younger workforce into the construction industry. The rising average wages may increase labour costs of reclamation works.

OVERVIEW OF THE LOCAL VESSEL CHARTERING INDUSTRY IN HONG KONG

Vessel chartering refers to the activities of hiring out the use of vessels to a charterer. Vessel chartering services in Hong Kong can be categorised into (i) sea-going vessel chartering, and (ii) local vessel chartering. Sea-going vessel chartering service refers to the vessel chartering services for transportation requirements in international waters. In contrast, local vessel chartering refers to the vessel chartering services for supporting transportation requirements within the Hong Kong waters. Local vessel chartering services include (i) time charter, where the vessels are chartered for a specific period; and (ii) voyage charter, where the vessels are chartered for each voyage.

Gross output value of the local vessel chartering industry

Gross output value of the local vessel chartering industry in Hong Kong from 2015 to 2026F



Notes:

1) Gross output value of the local vessel chartering industry calculates related vessels categorised in Class I and Class II. Class I includes launch, multi-purposes vessel, primitive vessel, and stationary vessel; Class II includes crane barge, dredger, dumb lighter, flat-top work barge, floating dock, floating workshop, hopper barge, landing platform, landing pontoon, pilot boat, special purpose vessel, transportation boat, transportation sampan, tug, water boat, and work boat.

2) Expense of diesel fuel is excluded in the estimated revenue.

3) Overtime chartering fee is excluded in the estimated revenue.

Sources: Marine Department, HKSAR; Ipsos research and analysis

The gross output value of the local vessel chartering industry in Hong Kong increased from approximately HK$3,894.6 million in 2015 to approximately HK$4,071.3 million in 2018, representing a CAGR of approximately 1.5%. The stable growth was mainly contributed by the sustainable capital allocation of maritime and port service from the Government, consistent demand for supporting vessel services such as loading and unloading cargo, demand for transportation of construction materials and construction workers arising from marine construction works.

It is expected that the gross output value of local vessel chartering industry in Hong Kong will increase from approximately HK$4,157.8 million in 2019 to approximately HK$4,643.4 million in 2026, representing a CAGR of approximately 1.6%. With the delay in the Upcoming Projects, the marine construction works industry in Hong Kong is expected to decline from 2021 to 2023. The demand for vessels, which is used for marine construction works, transportation of construction materials and labours, is expected to drop from 2021 to 2023, leading to the drop in the forecast gross output value of the local vessel chartering industry in Hong Kong. The expected recovery from 2024 is attributed to maritime and port infrastructure initiatives taken by the Government, the reclamation works in the Upcoming Projects, the continuous non-reclamation marine construction works, including but not limited to Hong Kong Offshore Liquefied Natural Gas (LNG) Terminal, the deployment of Artificial Reef at the Brothers Marine Park as well as the construction of Trunk Road T2 and Cha Kwo Ling Tunnel and other civil engineering works on the reclaimed land without direct and/or restricted land-based transportation in the 3RS projects as well as the Tung Chung New Town project.

COMPETITIVE LANDSCAPE OF THE LOCAL VESSEL CHARTERING INDUSTRY IN HONG KONG

The competition of the local vessel chartering industry is considered fragmented with many players with different business focuses. The competition in the industry is fairly intensive, especially for providing fleets for marine construction works. Maritime service providers with extensive portfolio of fleet and well established business relationships with customers and suppliers are more advantageous in competing with other players in the industry.

For the year ended 31 May 2019, our Group generated a revenue of approximately HK$23.8 million in vessel chartering services, such amount is equivalent to approximately 0.6% of the total gross output value of the local vessel chartering industry in Hong Kong in 2019.

Market drivers and opportunities

On-going and under-planning marine construction projects

The demand for local vessels from on-going and under-planning marine construction projects drives the local vessel chartering industry. In Hong Kong, marine construction works require support from local vessels such as tug, crane barge, dumb lighter, launch, and work boat to perform various types of marine construction works and the transportation of construction materials and construction workers. A number of on-going and under-planning marine construction projects such as the Cross Bay Link, Tseung Kwan O project and the Preservation of Queen's Pier project have generated demand for local vessels and will continue to drive the local vessel chartering industry in Hong Kong.

Increasing demand for water transportation

Water transportation, which offers more flexibility and a larger transport volume, has been popular in supporting the transportation works of off-shore and on-shore activities in Hong Kong. Off-shore transportation activities such as marine construction projects will require vessel chartering services, while on-shore activities will require water transportation services such as shipping raw materials for construction works and logistics management. According to the Census and Statistics Department, total river cargo throughput increased from approximately 91.8 million tonnes in 2013 to approximately 94.0 million tonnes in 2018, representing a CAGR of approximately 0.5%. The increase in demand for water transportation has benefited the local vessel chartering industry in Hong Kong.

Entry barriers

Industry reputation and well-established networks in maritime service activities

Maritime service providers with a well-developed portfolio, established customer connections and a good reputation in the industry will possess a higher success rate in tendering for local vessel chartering projects. By comparison, new entrants with the absence of proven quality and reliability of providing services will find it difficult to compete against more established and reputable services providers in the industry. Proven capability in the deployment and allocation of related vessels and resources is critical for maritime service providers to handle daily operation requirements of customer projects. It is therefore difficult for new entrants without relevant experience and networks in the vessel chartering industry to compete against existing players.

Sufficient level of capital

Prior to the initiation of any projects, maritime service providers have to ensure sufficient amount of capital for the procurement of required vessels, lease of specialised machinery, recruitment of skilled seaman and experienced management expertise as well as payments for its suppliers. Therefore, a sufficient amount of initial capital and stable cash flow throughout the duration of the vessel chartering service will allow a higher level of flexibility toward resources allocation and seaman recruitments to fulfil the needs and to meet the timeline of customers' projects. It would hinder new entrants without such amount of capital from entering the industry.

Threat

Labour shortage and ageing workforce

Hong Kong's maritime service industry faces a shortage of labour due to ageing of its workforce and decreasing number of young talents willing to enter the industry. From 2013 to 2018, the average monthly wage of maritime workers increased from approximately HK$25,496.2 to approximately HK$34,947.9, representing a CAGR of approximately 6.5%. The increasing costs in maritime labour and the lack of experienced seaman may threaten the development of local vessel chartering industry in Hong Kong.

Historical price trend of the major costs in the reclamation works industry and local vessel chartering industry

The major costs of the reclamation works industry and local vessel chartering industry in Hong Kong include sand, diesel fuel and labour costs. The table below sets forth the major costs trends for companies in the reclamation works industry and local vessel chartering industry in Hong Kong.

	2013	2014	2015	2016	2017	2018	CAGR '13-18
Sand (HK$ per tonne)	120.8	118.9	146.6	137.8	121.4	204.4	11.1%
Diesel fuel[1] (HK$ per 200 liter-drum)	2,092.0	2,093.8	1,879.4	1,882.3	2,070.3	2,405.4	2.8%
Average monthly wage of maritime workers[2] (HK$)	25,496.2	27,161.3	31,966.0	33,213.2	33,556.8	34,947.9	6.5%

	2019F	2020F	2021F	2022F	2023F	CAGR '19-23
Sand (HK$ per tonne)	271.1	243.8	254.2	248.1	256.6	-1.4%
Diesel fuel[1] (HK$ per 200 liter-drum)	2,439.8	2,352.1	2,406.7	2,461.9	2,517.5	0.8%
Average monthly wage of maritime workers[2] (HK$)	36,817.7	38,158.3	39,454.9	40,716.6	41,950.3	3.3%

Notes:

1. Prices of diesel fuel are denoted as the average yearly price of the product.
2. Maritime workers refer to workers engaged in inland water transport activities, which includes the transport of passengers or freight on inland waters, involving vessels that are not suitable for ocean transport.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Sand

An overall increase of the average wholesale price of sand was indicated, from approximately HK$120.8 per tonne in 2013 to approximately HK$204.4 per tonne in 2018, representing a CAGR of approximately 11.1%. The increase in the price of sand from 2013 to 2015 can be attributed to the increasing demand for sand in the construction industry.

According to the CEDD, the quantity of imported natural sand from the PRC used in the construction industry increased from approximately 9.2 million tonnes in 2013 to approximately 10.0 million tonnes in 2015, representing a CAGR of approximately 4.3%. The increase in price from 2017 to 2018 can be explained by the limited supply and the vast demand for sand from marine construction works, such as the 3RS reclamation project. It is projected the wholesale price of sand will decline from approximately HK$271.1 per tonne in 2019 to approximately HK$256.6 per tonne in 2023, at a negative CAGR of approximately 1.4%. The expected stablisation in price of sand between 2020 and 2023 is mainly due to the expected market demand.

Diesel fuel

The average price of diesel fuel increased from approximately HK$2,092.0 per 200-litre drum in 2013 to approximately HK$2,405.4 per 200-litre drum in 2018, representing a CAGR of approximately 2.8%. The average wholesale price of diesel fuel in Hong Kong dropped slightly from 2014 to 2016. The decrease in price can be explained by the excessive supply of crude oil from the Organization of the Petroleum Exporting Countries. The increase in price from 2016 to 2018 can be explained by the increase in import price of oil products, which increased from approximately HK$2.6 per litre in 2016 to approximately HK$4.2 per litre in 2018, representing a CAGR of approximately 27.1%. The price of diesel fuel is forecasted to increase at a CAGR of approximately 0.8% in the forecast period. Follow by the increasing import price of diesel fuel, the price of diesel fuel is expected to increase gradually.

Average monthly wage of maritime workers

The average monthly wage for maritime workers in the local vessel chartering industry in Hong Kong has risen from approximately HK$25,496.2 per month in 2013 to approximately HK$33,556.8 per month in 2017, representing a CAGR of approximately 7.1%. The increase in the average monthly wage was due to the rising demand for maritime workers to support new marine construction projects. The average monthly wage is expected to continue to increase from 2019 to 2023, due to the demand for maritime workers in the marine construction works industry.

OVERVIEW

This section sets out summaries of laws and regulations 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 OUR GROUP'S BUSINESS – MARINE CONSTRUCTION WORKS AND VESSEL CHARTERING SERVICES

Merchant Shipping Ordinance (Chapter 281 of the Laws of Hong Kong)

The Merchant Shipping Ordinance and its sub-legislations principally deal with (i) registration and licensing of ships; (ii) forfeiture of ships; and (iii) detention of ships.

According to section 3 of this ordinance, every ship trading outwards from Hong Kong or trading or being used for any commercial purpose in the waters of Hong Kong must be provided with, where applicable, a certificate of registry, a certificate of provisional registry, a certificate of ownership or other document granted in a place outside Hong Kong which is similar or equivalent in effect to a certificate of registry or provisional registry.

Under sections 108 and 109 of this ordinance, the Director of Marine may under certain conditions detain a ship pending satisfaction of legal provisions. If the ship proceeds or attempts to proceed to sea before having been released by a competent authority, the master of the ship, the owner or agent, and any person who sends the ship to sea, if such owner, agent or person is party or privy to the offence, shall be guilty of an offence and shall be liable on conviction to a fine of HK$50,000 and to imprisonment for two years.

Merchant Shipping (Local Vessels) Ordinance (Chapter 548 of the Laws of Hong Kong) ("MS(LV)O")

The MS(LV)O and its sub-legislations apply to all local vessels whether in or beyond the waters of Hong Kong. Local vessel is defined under section 2 of the MS(LV)O and refers to, among others, any vessels which are used solely within the waters of Hong Kong. Our vessels fall within the definition of "local vessels" under the MS(LV)O. Therefore, the MS(LV)O and its sub-legislations are applicable to our Group.

Sections 11 and 12 of the MS(LV)O require that local vessels shall be certificated and the owner of the local vessel shall be an individual who holds a valid identity card and is an ordinary resident in Hong Kong or a company or registered non-Hong Kong company as defined by section 2(1) of the Companies Ordinance. For details of certification sub-legislation, please refer to the paragraph headed "Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Chapter 548D of the Laws of Hong Kong)" in this section.

Sections 13 and 14 of the MS(LV)O respectively require certificated local vessels to be licensed and provide that no unlicensed local vessel shall carry any passengers. Where section 13 of the MS(LV)O is contravened, the owner of the vessel, his agent and the coxswain commit an offence and each of them is liable on conviction to a fine at level 4 (currently at HK$25,000) and to imprisonment for one year. Where section 14 of the MS(LV)O is contravened without reasonable excuse, the owner of the vessel, his agent and the coxswain commit an offence and each of them is liable on conviction to a fine at level 5 (currently at HK$50,000) and to imprisonment for two years, and to an additional fine at level 2 (currently at HK$5,000) in respect of each passenger carried on the vessel in contravention.

Section 23C of the MS(LV)O provides that no owner, charterer or coxswain of a local vessel may use, or cause or permit any other person to use the vessel in the waters of Hong Kong unless there is in force in relation to the use of the vessel such policy of insurance that complies with the requirements under the MS(LV)O. Where an owner, charterer or coxswain of a local vessel permitted to carry more than 12 passengers contravenes this section, he commits an offence and is liable to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years; in case where an owner, charterer or coxswain of a local vessel permitted to carry no more than 12 passengers contravenes this section, he commits an offence and is liable to a fine at level 4 (currently at HK$25,000) and to imprisonment for one year.

Section 23D of the MS(LV)O sets out the requirements in respect of the policies of insurance. It provides that a policy of insurance for the purposes for section 23C(1) of the MS(LV)O shall be a policy which (i) is issued by an authorised insurer; (ii) is expressed to be governed by the laws of Hong Kong and issued for the purposes of section 23C(1) of the MS(LV)O; and (iii) insures person(s) in respect of the death of or bodily injury to any person caused by or arising out of the use of local vessels in the waters of Hong Kong. For further information on insurance policy, please refer to the paragraph headed "Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice (Chapter 548K of the Laws of Hong Kong)" in this section.

Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Chapter 548D of the Laws of Hong Kong)

Every local vessel shall be certificated and licensed for the appropriate class and type as specified in schedule 1 of this regulation from the Marine Department prior to operation in the waters of Hong Kong.

Our Group being an owner of local vessels shall first apply to the Director of Marine for an approval-in-principal letter before applying for the approval of plans, survey, certificate of ownership and operating licence of the vessels. The Director of Marine will grant the approval-in-principal letter and issue the full licence of operating licence taking consideration of the material conditions under this regulation such as the class and type of the subject vessel and the safety, health and welfare of persons employed on board. Under section 18(3) of this regulation, a person who, without reasonable excuse, fails to deliver a full licence of operating licence on request commits an offence and is liable on conviction to a fine at level 2 (currently at HK$5,000) and to imprisonment for six months.

The grant of a full licence of operating licence may be attached with any conditions or restrictions on the vessel to ply within certain specified sheltered waters or other area as the Director of Marine may decide. A full licence of operating licence is usually valid for 12 months beginning from the date of issue of the licence and is renewable.

Merchant Shipping (Local Vessels) (Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong)

The Merchant Shipping (Local Vessels) (Safety and Survey) Regulation regulates the safety and survey of local vessels and therefore applies to our Group being an owner of local vessels.

Section 16 of this regulation provides that it is an offence to operate a local vessel without a certificate of survey or certificate of inspection. Where section 16 of this regulation is contravened without reasonable excuse, each of the owner of the local vessel concerned, his agent and the coxswain commits an offence and is liable on conviction to a fine at level 3 (currently at HK$10,000) and to imprisonment for six months.

Sections 9 and 18 of this regulation provide that no certificate of survey or certificate of inspection shall be issued to a local vessel unless plans relating to, among others, the general arrangements of the vessel, in so far as they are applicable, have been approved by the Marine Department and the vessel is deemed fit for the service intended and in good condition.

Section 27 of this regulation also provides that a certificate of survey is valid for 12 months from the date of completion of the survey or such longer or shorter period as the Director of Marine may specify in the certificate of survey whereas it further provides that certificate of inspection is valid for the period specified in the certificate of inspection, which shall not exceed 12 months from the date of completion of the survey or if, on the date of completion of the survey, the period of validity of the existing certificate of inspection issued in respect of the local vessel concerned has not expired, the expiry date of such existing certificate of inspection, whichever is the later.

Local certificate of competency

The seafarers in Hong Kong, including coxswains and engine operators who operate the vessels of our Group, are required to obtain the Local Certificate of Competency – Coxswain and Local Certificate of Competency – Engine Operator under the MS(LV)O (collectively, the "**LCC**"), respectively.

Under section 16 of the MS(LV)O, the Director of Marine shall cause examinations for the grant of LCC to be conducted on coxswains and engine operators employed on vessels. The LCC is issued to personnel to certify that the holder of the certificate may act as the coxswain or engine operator (as the case may be) of any local vessel. The sub-legislations made under section 16 of the MS(LV)O further provide for the requirements of the granting of the LCC, including that (i) applicant for the LCC shall pass the relevant competency examination and (ii) the Director of Marine approves the application for granting of the LCC.

Under section 16 of the Merchant Shipping (Local Vessels) (Local Certificates of Competency) Rules made by the Marine Department under section 16 of the MS(LV)O, a LCC becomes valid when it is granted and expires when the holder of the LCC attains the age of 65, unless it is cancelled or suspended under the MS(LV)O.

Merchant Shipping (Collision Damage Liability and Salvage) Ordinance (Chapter 508 of the Laws of Hong Kong)

The Merchant Shipping (Collision Damage Liability and Salvage) Ordinance governs the law relating to collision damage and salvage operations. It aligns Hong Kong and international laws by incorporating the International Convention on Salvage 1989 into Hong Kong regulations.

Section 3 of this ordinance provides that where by the fault of two or more vessels, damage or loss is caused to one or more of those vessels, their cargoes or freight or any property on board, the liability to make good the damage or loss shall be in proportion to the degree in which each vessel was in fault.

Section 4 of this ordinance provides that where a person on board a vessel suffers a loss of life or personal injuries owing to the fault of that vessel and of any other vessel(s), the liability of the owners of the vessels shall be joint and several.

Marine Insurance Ordinance (Chapter 329 of the Laws of Hong Kong)

The Marine Insurance Ordinance is in place to ensure that where a ship is in course of building, or the launch of a ship, or any adventure analogous to a marine adventure, is covered by a policy in the form of marine policy.

Under section 3 of this ordinance, every lawful marine adventure may be the subject of a contract of marine insurance. In particular, there is a marine adventure where, among others, (i) any ship, goods or other movables are exposed to maritime peril (the "**Insurable Property**"), or (ii) any liability to a third party may be incurred by the owner of, or other person interested in or responsible for, the Insurable Property, by reason of maritime perils, including perils of the seas, fire, war perils, pirates, rovers, thieves, captures, seizures, restraints, and detainments of princes and peoples, jettisons, barratry, and any other perils, either of the like kind or which may be designated by the policy.

Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice (Chapter 548K of the Laws of Hong Kong)

The Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice came into effect on 1 September 2016, specifying the new statutory minimum amounts of liability cover for the compulsory third party risks insurance of local vessels.

The new minimum amounts for liability cover for the compulsory third party risks insurance of certified local vessels permitted to carry more than 12 passengers shall be HK$10,000,000, while that of certified local vessels permitted to carry 12 or less than 12 passengers shall be HK$5,000,000.

The old statutory minimum amount of liability cover will continue to be applicable until on the earliest of either (i) the expiry of the current policy; (ii) the expiry of one year beginning on 1 September 2016; or (iii) the terms or conditions of the policy are altered in any way that would cause the policy to cease to be in compliance with the MS(LV)O, even if the former statutory amounts of liability cover applied. Therefore, the new statutory minimum applies to our Group and our vessels.

LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS – OTHER CIVIL ENGINEERING WORKS

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 this 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.

Section 14(1) of this 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 this ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works or 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 the said section 41(3), the works must further comply with the building standards specified in the relevant regulations empowered under this ordinance. This ordinance further requires that any authorised person of the building works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

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

Under the Construction Industry Council Ordinance, it provides that construction industry levy ("**CIL**") is payable by contractors in respect of construction operations. "Construction operation" is exhaustively defined under schedule 1 of this ordinance, which includes construction, alteration, repair, maintenance, extension, demolition or dismantling of any works forming, or to form, part of land (including land under the sea).

According to section 32 of this ordinance, a CIL at 0.5% of the value of the contract is to be imposed and paid if the total value of the construction operations exceeds HK$3,000,000.

Section 34 of this ordinance also provides that each of the contractor and authorised person is required to inform the CIC in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. A person who, without reasonable excuse, fails to give the notice as required under this section, commits an offence and is liable on conviction to a fine at level 1 (currently at HK$2,000). Such notice to CIC is only required for term contract or if the reasonable estimation of the total value of construction operations exceed HK$3,000,000.

Pursuant to section 35 of this ordinance, a contractor is required to give a Notice of Payment ("**NOP**") in a specified form (Form 2) to the CIC within 14 days after the contractor receives a payment in respect of the construction operation. A person who, without reasonable excuse, fails to give the NOP may be liable to a fine at level 3 (currently at HK$10,000).

According to section 36 of this ordinance, a contractor is required to give a Notice of Completion ("**NOC**") in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. A person who, without reasonable excuse, fails to give the NOC may be liable to a fine at level 3 (currently at HK$10,000).

The CIC shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment ("**NOA**") in writing specifying the amount of CIL to the contractor. The CIC can also make such assessment without the NOP or NOC being given. According to section 41 of this ordinance, if a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge in writing shall be given by the CIC.

For our projects during the Track Record Period and up to the Latest Practicable Date, our Directors confirm our customers or the main contractors of such projects are responsible for settlement of the CIL and submission of NOP and NOC and we did not receive any NOA in relation to such projects. In the event when our Group undertakes any construction operation in future as a main contractor, we may be governed by this ordinance.

Subcontractors Registration Scheme

In general, as long as the principal contractor holds all the required registrations necessary for a project, the subcontractors are not required to hold the same registrations as the principal contractors in public projects. However, subcontractors are required to be registered on the Subcontractors Registration Scheme of the CIC to participate in public projects. Pursuant to a technical circular issued by the Works Branch of the Development Bureau dated on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works of the CEDD), all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are either registered under the respective trades available under the Subcontractors Registration Scheme, or will complete their registration before the execution of the relevant subcontracted works.

Our Group was registered as a registered subcontractor under the Subcontractors Registration Scheme since March 2015. Please also refer to the paragraph headed "Business – Major qualifications, licences and certifications" in this prospectus for further details.

List of Approved Contractors for Public Works

In order to tender for public sector projects, a contractor shall be listed on the List of Approved Contractors for Public Works. The List of Approved Contractors for Public Works 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 list 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 for or being awarded of any contract in that category. In the event that 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 from 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 it 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

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 it 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) *(Note)*	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 it already holds and the Group C contract being procured under the same category does not exceed HK$700 million
Group C (confirmed status) *(Note)*	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

We have been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019, the admission of which will enable our Group to tender for public work contracts of port work of up to HK$300 million.

The proposed security of payment legislation for the construction industry

The Development Bureau launched a 3-month public consultation on 1 June 2015 for 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 cashflow of operators in the construction industry. The framework of the proposed legislation is yet to be finalised and the Development Bureau would need to prepare the bill for submission to the Legislative Council of Hong Kong.

Under the proposed security of payment legislation, contractual 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" clause(s), 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 results 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 or plants shall be entitled to claim a progress payment (which shall include single, interim and final progress payments) based on the value of their work done, services or supply according to the contract price or rates or other pricing agreed by the parties to the extent that 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. Payment of an amount due must be made not more than 60 calendar days after an interim progress payment claim is made or not more than 120 calendar days for a final progress payment claim.

Any provision in a construction contract purporting to impose “pay when paid” or “pay when certified” clause(s) or otherwise unfair payment terms that will violate parties’ rights to progress payments or impose longer period than 60 or 120 calendar days respectively shall be deemed ineffective and unenforceable.

The proposed legislation will also introduce adjudication as a means of resolving disputes relating to non-payment, value of works or extension of time which allow parties to agree on their own adjudicator, and impose a strict timetable on the adjudication process on the contractual parties to ensure adjudication could be conducted quickly and cost-effectively. Further, the proposed legislation will provide for enforcement by allowing an adjudicator’s decision to be filed directly in the court of laws in Hong Kong. Parties will be entitled to refer the matter to the court or arbitration if they are unsatisfied with the decision of the adjudicator.

The proposed legislation will provide parties with the rights to suspend or slow 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 undertaking such actions due to non-payment will also have entitlements to extension of time and costs arising from the delay.

All contracts and subcontracts, whether in written or oral form, for (i) Government works, under which the Government and/or specified public entities procure construction and maintenance activities or related services or, 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, materials or plants or supply-only contracts with a contract value of over HK$500,000, will be governed by the proposed legislation. Where the main contract is covered by the proposed security of payment legislations, all subcontracts (irrespective of tier) will be covered by the proposed legislation regardless of value. The proposed 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 legislation will (i) reduce delays in progress payments from our customers, which will improve our cashflow and financial performance; (ii) provide an effective adjudication framework to solve 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 (iii) improve the performance of our Group by minimising the risk of non-payment or disputes throughout our supply chain.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

MS(LV)O

Under section 47 of the MS(LV)O, if any oil or mixture containing oil is discharged into the waters of Hong Kong, the person by whom the oil or mixture containing oil is so discharged or caused to be discharged, and if the discharge is from a local vessel, the owner and coxswain of the vessel, subject to the circumstances of such discharge, commit an offence under this section and is liable to on conviction to a fine of HK$200,000.

Section 51(1) of the MS(LV)O stipulates that no local vessel in the waters of Hong Kong shall emit dark smoke for three minutes or more continuously at any one time. If this section is contravened, each of the owner of the local vessel, his agent and the coxswain of the vessel commits an offence and is liable to a fine at level 3 (currently at HK$10,000) if the person has never committed the offence in relation to the vessel; or liable to a fine at level 4 (currently at HK$25,000) if the person has previously committed the offence in relation to the vessel.

Shipping and Port Control Ordinance (Chapter 313 of the Laws of Hong Kong)

Section 48 of this ordinance provides that if any oil or mixture containing oil is discharged or found to be escaping or to have escaped from a vessel into the waters of Hong Kong, the owner or master of the vessel shall forthwith report the occurrence to the Director of Marine. Any person contravening this section commits an offence and is liable to a fine of HK$5,000.

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

The Environmental Impact Assessment Ordinance is to prevent, minimise and control adverse environmental impacts that certain designated projects in Hong Kong, such as large scale reclamation works, may have on the environment, through an environmental impact assessment process and environmental permit system prior to commencement of the operations.

Under this ordinance, designated projects must be (i) exempted by the Environmental Protection Department; or (ii) approved with an environmental permit issued by the Environmental Protection Department 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 Environmental Protection Department. For other projects, an application for an environmental permit made to the Environmental Protection Department must be accompanied with an environmental impact assessment report approved by the Director of Environmental Protection.

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 six months; (ii) on a second or subsequent conviction on indictment to a fine at level 6 (currently of HK$5,000,000) and to imprisonment for two years; (iii) on a first summary conviction to a fine at HK$100,000) and to imprisonment for six months; (iv) on a second or subsequent summary conviction to a fine of HK$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, a fine of HK$10,000 for each day on which the offence has continued.

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

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

A contractor shall observe and comply with this ordinance and its sub-legislations, including without limitation the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in this ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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 site formation, piling and reclamation. Under section 3 of this 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, construction of the foundation of a building, road construction work and reclamation.

Under section 4 of this 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 requirements as set out in the schedule of this regulation.

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

The Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (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, NRMM which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMM with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMM 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.

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 Environmental Protection Department's approval is liable to a fine of up to HK$200,000 and to imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK$50,000 and to 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 NRMM (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 with estimated contract value exceeding HK$200 million 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 NRMM from 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

Notwithstanding the Implementation Plan, exempted NRMM 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 Environmental Protection Department 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 NRMM 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 NRMM 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 from construction, industrial and commercial activities. In the course of carrying out construction works, which include works in connection with or for construction and reclamation, our Group is required to comply with this ordinance and its sub-legislations. For construction activities that are carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under this ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless with a construction noise permit and the prior approval of the Noise Control Authority. Any person who is in contravention of the aforesaid provisions shall be liable (i) on first conviction to a fine of HK$100,000; (ii) on second or subsequent conviction, to a fine of HK$200,000, and in any case to a fine 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 may generate wastewater, our Group is required to observe and comply with this ordinance.

Under this ordinance, discharge of wastewater generated from construction activities into sewers or elsewhere is not permitted unless (i) the discharge is exempted by the Environmental Protection Department; or (ii) a licence has been granted by the Environmental Protection Department and the discharge complies with the terms and conditions of the licence.

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

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

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)

Under the Dumping at Sea Ordinance, any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection. A person who, except under and in accordance with such permit, does anything or causes or allows another person to do anything for which such permit is needed, commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months on a first conviction; HK$500,000 and to imprisonment for two years on a second or subsequent conviction; and in additional, to a further fine of HK$10,000 for each day that the court is satisfied that the operation has continued.

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

Given the nature of our business operations, we may in the course of operation create solid waste, and as a construction waste producer we are subject to the Waste Disposal Ordinance. In general, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection to use the land or premises for that purpose or otherwise commits an offence and is liable to a fine of HK$200,000 and to imprisonment for six months for the first offences to a fine of HK$500,000 and to imprisonment for two years for a second or subsequent offence.

The Construction Waste Disposal Charging Scheme has been established under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the laws of Hong Kong), a sub-legislation of the Waste Disposal Ordinance, pursuant to which all construction waste to be disposed of in Government's waste disposal facilities carry respective construction waste disposal charges. As a construction waste producer, we are required to, prior to using governmental 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 Environmental Protection

Department 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.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

Merchant Shipping (Local Vessels) (Works) Regulation (Chapter 548I of the Laws of Hong Kong)

The Merchant Shipping (Local Vessels) (Works) Regulation regulates and controls the safety issues of local vessels in the waters of Hong Kong. As a local vessel owner, our Group shall observe the requirements therein. It provides for, among other things, (i) the requirements for safe means of access to and from and on board a vessel; (ii) the safety requirements regarding lifting appliances and lifting gear; (iii) the occupational safety requirements (e.g. appointment of works supervisors and workers, holding of valid certificates by certain workers in respect of safety training recognised by the Director of Marine such as the certificate of training on Shipboard Cargo Handling Basic Safety Training which is applicable to all persons engaged in shipboard cargo handling, provision and use of protective clothing and equipment, maintenance of first aid equipment, etc.); and (iv) measures, in so far as reasonably practicable, to be taken to ensure the safety of persons employed at work who shall be provided with such information, instruction, training or supervision as may be necessary to ensure, in so far as reasonably practicable, the safety of persons employed at work.

Merchant Shipping (Safety) Ordinance (Chapter 369 of the Laws of Hong Kong)

Merchant Shipping (Safety) Ordinance provides for regulation and control of the safe operations and equipment of various ships including local vessels certified as passenger ship in the waters of Hong Kong. Among other things, this ordinance provides that:

(i) every ship carrying more than 12 passengers shall be surveyed by a Government surveyor at intervals of not more than 12 months in the manner set out by this ordinance;

(ii) every ship carrying more than 12 passengers shall have the ship's compasses properly adjusted from time to time and shall provide shelter for the protection of deck passengers;

(iii) a ship within the waters of Hong Kong shall not carry any passengers on more than one deck below water line and should not carry any passengers in excess of the number allowed by the passenger certificate;

(iv) no ship registered in Hong Kong shall have on board an anchor or cable unless the anchor or cable has been marked and a certificate in respect of it has been issued (unless such anchor or cable is one to which those regulations do not apply by virtue of any regulation made under the Merchant Shipping (Safety) Ordinance); and

(v) no ship registered in Hong Kong shall proceed or attempt to proceed to sea unless it has been surveyed in accordance to load line regulations.

Owner of a passenger ship shall also apply for various certificates to comply with this ordinance, such as passenger certificate and relevant safety certificate. Under section 25 of this ordinance, if any ship proceeds, or attempts to proceed, to sea without appropriate certificates, the owner or master of the ship, without prejudice to any other penalty under this ordinance, commits an offence and is liable to a fine of HK$10,000.

The owner or master of a passenger ship shall also comply with Part III of this ordinance which prohibits passenger ship from carrying passengers in excess of the number allowed by the passenger certificate within the waters of Hong Kong. The owner, agent and master of passenger ship carrying excessive passengers commits an offence and is liable (i) on conviction upon indictment to imprisonment for four years and to a fine of HK$10,000 and an additional fine of HK$5,000 for each excess passenger; and (ii) on summary conviction to imprisonment for two years and to a fine of HK$10,000 and an additional fine of HK$5,000 for each excess passenger, unless the owner or agent proves that the excessive passengers were shipped without his knowledge or consent and no profit, benefit or advantage were derived from the shipping of the excessive passengers.

Section 80 of this ordinance provides that where, in general, any loss or damage to a ship, death or serious injury caused by accident to or on a ship, or damage caused by a ship, to which ship this ordinance is applicable, the owner or master of the ship shall, as soon as practicable, and in any case not later than 24 hours after the ship's arrival at the next port, submit to the Director of Marine a written report of the accident or damage which shall contain particulars such as brief description of the accident or damage, the time and place where the accident occurred and the name of the ship and its official number. If the owner or master of a ship fails to comply with such section without reasonable excuse, he commits an offence and is liable to a fine of HK$10,000.

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 this ordinance, a person is prohibited from personally carrying out construction work on a construction site unless the person is a registered construction worker in the Register of Construction Workers. Likewise, subcontractors, among others, of the construction site are required to employ only registered construction worker to carry out construction work.

Under this 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, when working as a subcontractor in our projects, is required to employ only registered construction workers to personally carry out relevant construction works.

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 maximum fine of HK$50,000.

This 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 either (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.

Stage 1 of the "designated workers for designated skills" provision, of which "designated works" will include construction, re-construction, addition, alternation and building services works, has be implemented with immediate effect from 1 April 2017. Upon such implementation, registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers maintained by the CIC, 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 this ordinance.

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

Industrial undertakings, which include construction works, 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 this ordinance and provide for the safety and health protection to workers in the industrial undertakings.

Under this 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 fails to perform its duty under this ordinance wilfully and without reasonable excuse commits an offence and could be held liable to a fine of HK$500,000 and to imprisonment for six 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 this ordinance and as such any breach of our duties under this ordinance may constitute an offence and result in our Group being liable to penalty.

Pursuant to section 6BA of this ordinance, any persons employed by industrial undertakings engaging in construction works must attend a relevant safety training course recognised under this 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 himself 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 works 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 between one to three years after the day on which the certificate was issued.

Any proprietor who contravenes section 6BA of this ordinance commits an offence and is liable to a fine at level 5 (currently at HK$50,000) unless it has a defence 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.

We are also required to comply with sub-legislations of this 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 this 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 to 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 that our workers may be exposed to injuries whilst carrying out construction work, our Group is subject to the Occupational Safety and Health Ordinance. We are responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with this ordinance.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by: (i) providing and maintaining plant and systems of work that are safe and without risks to health; (ii) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (iii) any workplace under the employer's control in a condition that is safe and without risks to health; (iv) providing and maintaining means of access to and egress from any workplace under the employer's control that are safe and without any such risks; (v) providing all necessary information, instruction, training, and supervision for ensuring safety and health; and (vi) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with any of 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 is further liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

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

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 this ordinance, which regulates the obligations of a person or entity occupying or having control of the premises on which injury or damage resulting to persons or goods or other property lawfully on the premises. For details of the properties we leased, please refer to the paragraph headed "Business – Our properties" in this prospectus.

This 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.

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 this 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.

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 this ordinance, the Environmental Protection Department may cause a nuisance notice to be served on any contractor of construction works if, for example, any premises or vessel 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. The nuisance notice requires the person on whom the notice is served to do what is necessary for preventing the recurrence of the nuisance and, if the Environmental Protection Department thinks it desirable, may 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 or vessel on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises or vessel is found to be in such a state so as to be a nuisance and injurious to health is found to be in such a manner so as to be a nuisance, to a maximum fine at level 3 (currently at 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 this ordinance with a maximum fine at level 4 (currently at 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 this ordinance, with a maximum fine at level 3 (currently at 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 this ordinance.

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

As a construction site controller, meaning a principal or main contractor and including any subcontractor, owner, occupier or other person who has control over or is in charge of a construction site, 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 this 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 this ordinance, from taking employment on the construction site.

Any construction site controller who contravenes section 38A of this ordinance may be held liable upon conviction to a fine of HK$350,000. However, it is a defence 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 this ordinance, any provision of an employment contract which purports to extinguish or reduce any right, benefit or protection conferred on the employee by this ordinance is void.

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

The Employment Ordinance applies to every employee engaged under a contract of employment and every employer of such employee and governs the contract of employment between such employer and employee. Apart from direct employee, a main contractor or a superior subcontractor shall also be subject to the provision on subcontractor's employees' wages in this ordinance. Therefore, our Group has to comply with this ordinance in respect of our direct employees as well as the employees of our subcontractors of below tier(s). According to section 43C of this ordinance, a main contractor, or a main 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 this ordinance. The liability of a main contractor and superior subcontractor shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the main 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 two months without any deductions (such months shall be the first two 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 main contractor within 60 days after the wage due date or another 90 days if permitted by the Commissioner for Labour. A main contractor and superior subcontractor shall not be liable to pay any wage to the employee of the subcontractor if that employee fails to serve a notice on the main contractor.

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

Pursuant to section 43F of this ordinance, if a main contractor or superior subcontractor pays to an employee any wages under section 43C of this ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior subcontractor, as the case may be. The main contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the main contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of set off 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 this ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of this ordinance, all employers (including main contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under this ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of this 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 his liabilities and that of his subcontractor(s) under this ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) as stated above, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with section 40 of this ordinance. An employer who fails to comply with this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years.

Pursuant to section 24 of this ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractors. The main contractor is however entitled to be indemnified by any person 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 main contractor before making any claim or application against such main contractor.

According to section 15(1A) of this ordinance, an employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

OUR CORPORATE HISTORY

Overview

The history of our Group can be traced back to 2010 when Mr. Sherman Heung, our Chairman, executive Director and Controlling Shareholder, joined our Group. Mr. Sherman Heung was experienced in the marine construction works industry and civil engineering works industry from his previous employment and through operating his own business which provided services ranging from marine construction works, marine plant leasing and vessel leasing services. Under the leadership and aspiration of Mr. Sherman Heung, who possessed expertise in construction management, corporate strategic planning and business operations, together with Ms. Lee, our executive Director, who had extensive experience in operation and accounting and secretarial works for construction companies and contractors, our Group gradually developed our existence as a subcontractor in the marine construction works industry and civil engineering works industry in Hong Kong.

With our involvement in the DCM trial projects of the 3RS, we gradually developed our track record in marine construction works and expanded our scope of works from marine piling works to reclamation works, regulation and deposition of sand blanket works, submarine pipeline works as well as sediment treatment works. In 2016, we further broadened our scope of service to providing other civil engineering works. With our growing portfolio of marine construction projects and other civil engineering projects, we accumulated extensive experience and proved ourselves as a reliable and reputable subcontractor for marine construction works and other civil engineering works. During our Group's business development, our Group also provided consultancy services to our customers who required Mr. Sherman Heung's expertise in marine construction works. In view of the increasing marine construction and other civil engineering projects subcontracted to our Group, we focused our resources on project management of project works which were considered by Mr. Sherman Heung to be more profitable and beneficial to our business development. Moreover, the provision of consultancy services gradually diminished over time after completion of those projects or matters for which we provided consultancy service.

In addition to carrying out marine construction works and other civil engineering works, Kat Yue also provided vessel chartering services for our customers which include contractors involved in marine construction works. In March 2015, with a vision to further enhance our Group's recognition and to expand our business network, Kat Yue was registered as a subcontractor in the category of driven piles, concreting formwork, timber formwork, concreting and marine works with the Subcontractors Registration Scheme. To further facilitate our Group's business development, in October 2019, Kat Yue was admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works which enables our Group to tender for public work contracts of port works of up to HK$300 million as a main contractor in Hong Kong.

Business development and important milestones

The following are the major developments and milestones of our Group:

Year	Event
April 2011	Kat Yue was awarded with a contract as a subcontractor for marine piling works at Lamma Island with an initial contract sum of approximately HK$16.4 million
January 2012	Kat Yue was awarded with two contracts for marine construction works as a subcontractor for the DCM trial works of the 3RS with an initial contract sum of approximately HK$2.1 million in aggregate
March 2015	Kat Yue was registered as a subcontractor in the category of driven piles, concreting formwork, timber formwork, concreting and marine works with the Subcontractors Registration Scheme of the CIC
March 2015	Kat Yue was awarded with a contract as a subcontractor for marine works and project management of the DCM trial works (by single rig) of the 3RS with a total contract sum of approximately HK$23.7 million
August 2015	Kat Yue was awarded with a subcontract for marine supplies and related services of the DCM trial works (by cutter soil mixing rigs) project of the 3RS with a total contract sum of approximately HK$5.9 million
August 2016	Kat Yue was awarded with a contract as a subcontractor to perform civil works for the Sha Chau Island which contributed revenue of approximately HK$16.0 million during the Track Record Period
August 2016	Kat Yue commenced its vessel chartering services
March 2017	Kat Yue was awarded with a project involving reclamation works for the 3RS which contributed revenue of approximately HK$98.4 million during the Track Record Period
2017	Kat Yue was accredited with a safety team award for the months of June, August, October and December 2017 for one of its projects
December 2017	Kat Yue was accredited with a award for the best environmental team for the month for one of its projects
2018	Kat Yue was accredited with a safety team award for the months of January and March 2018 for one of its projects

Year	Event
2018	Kat Yue was awarded with a subcontractor site safety award for the fourth quarter in 2018 for one of its projects
January 2019	Kat Yue was accredited with a gold award for the best housekeeping contractor in the fourth quarter of 2018 for one of its projects
September 2019	Kat Yue was awarded with a subcontractor site safety award for the second quarter in 2019 for one of its projects
October 2019	Kat Yue was admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works

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 as an exempted company with limited liability under the Companies Law on 24 May 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One fully paid subscriber Share was allotted and issued to the initial subscriber, an Independent Third Party, on the date of incorporation, which was subsequently transferred to Yue Hang on the same day. Immediately following the above share transfer, our Company was wholly-owned by Yue Hang.

For details of change in the share capital of our Company, please refer to the paragraph headed "Statutory and General Information – A. Further information about our Company – 2. Changes in share capital of our Company" in Appendix IV to this prospectus.

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

OUR SUBSIDIARIES

Yue Wang

Yue Wang, an intermediate holding company of our Group, was incorporated on 28 May 2018 in the BVI and is authorised to issue a maximum of 50,000 shares of a single class of US$1.00 par value each. One fully paid ordinary share of Yue Wang, representing all the issued share of Yue Wang was allotted and issued to our Company on the same day. After the aforesaid allotment, Yue Wang becomes a direct wholly-owned subsidiary of our Company.

Yue Wang is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

Kat Yue

Kat Yue was incorporated in Hong Kong as a private company limited by shares on 7 January 2005 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. One subscriber share of Kat Yue was allotted and issued to its initial subscriber, an Independent Third Party, on the date of incorporation and one fully paid share was allotted and issued to Ms. Lee on 27 January 2005. In 2008, Mr. Edwin Heung and Ms. Heung Kat Wing, daughter of Mr. Sherman Heung, each acquired one share from Ms. Lee and an Independent Third Party, respectively at nominal consideration. The two shares in Kat Yue held by Mr. Edwin Heung and Ms. Heung Kat Wing were subsequently transferred to Mr. Sherman Heung at nominal consideration on 6 July 2010 and Kat Yue was wholly-owned by Mr. Sherman Heung since then.

Pursuant to the sale and purchase agreement dated 30 August 2018 entered into between Mr. Sherman Heung, as vendor, and Yue Wang, as purchaser, Yue Wang acquired two shares in Kat Yue from Mr. Sherman Heung. In consideration thereof, our Company allotted and issued one fully paid Share to Yue Hang as directed by Mr. Sherman Heung. Immediately after the above acquisition of shares, Kat Yue became a wholly-owned subsidiary of Yue Wang. On 3 May 2019, Kat Yue further alloted and issued 5,199,998 fully paid shares of HK$1.00 each in Kat Yue to Yue Wang.

REORGANISATION

Our Group underwent Reorganisation prior to the Share Offer to rationalise our Group's structure in preparation for the Share Offer. The major steps of our Reorganisation are summarised as follows:

(i) Incorporation of Yue Hang

Yue Hang was incorporated in the BVI with limited liability on 18 May 2018 and is authorised to issue a maximum of 50,000 shares of a single class of par value of US$1.00 each. One fully paid ordinary share of Yue Hang, representing all the issued share of Yue Hang, was allotted and issued to Mr. Sherman Heung on the same date.

(ii) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 24 May 2018 under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each. Upon incorporation, 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 Yue Hang on the same day.

(iii) Incorporation of Yue Wang

Yue Wang was incorporated in the BVI with limited liability on 28 May 2018 and is authorised to issue a maximum of 50,000 shares of a single class of par value of US$1.00 each. One fully paid ordinary share of Yue Wang, representing all the issued share of Yue Wang, was allotted and issued to our Company on the same date.

(iv) Acquisition of the operating subsidiary

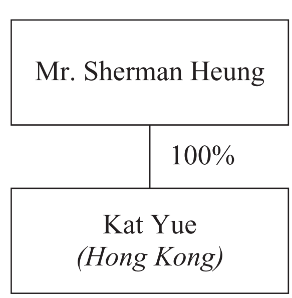
On 30 August 2018, Mr. Sherman Heung, as vendor, and Yue Wang, as purchaser, entered into a sale and purchase agreement, pursuant to which Yue Wang acquired two shares, representing the entire issued share capital of Kat Yue, from Mr. Sherman Heung, and in consideration thereof, our Company allotted and issued one fully paid Share to Yue Hang as directed by Mr. Sherman Heung. After the aforesaid shares transfer and allotment, Kat Yue became a direct wholly-owned subsidiary of Yue Wang.

(v) Capitalisation Issue and Share Offer after completion of the Reorganisation

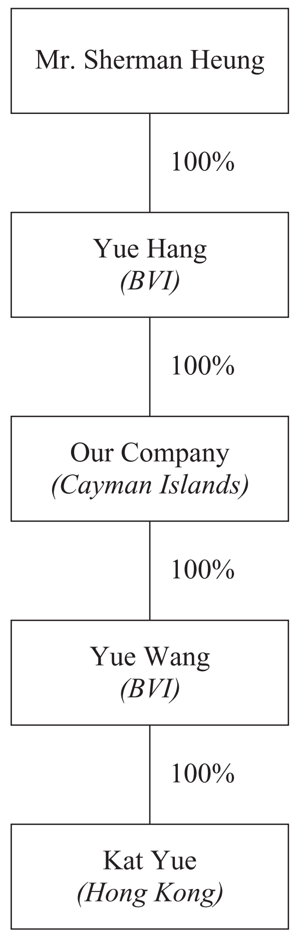
On 13 November 2020, our Company resolved to increase its authorised share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each in order to be positioned to (i) allot and issue 556,000,000 new Shares to the Share Offer; and (ii) allot and issue a further 1,667,999,998 new Shares to the existing shareholder of our Company, namely Yue Hang, resulting in 25% of the enlarged issued share capital of our Company being offered to the public and institutional investors under the Share Offer, and the remaining 75% of the enlarged issued share capital of our Company will be owned by Yue Hang.

OUR GROUP STRUCTURE

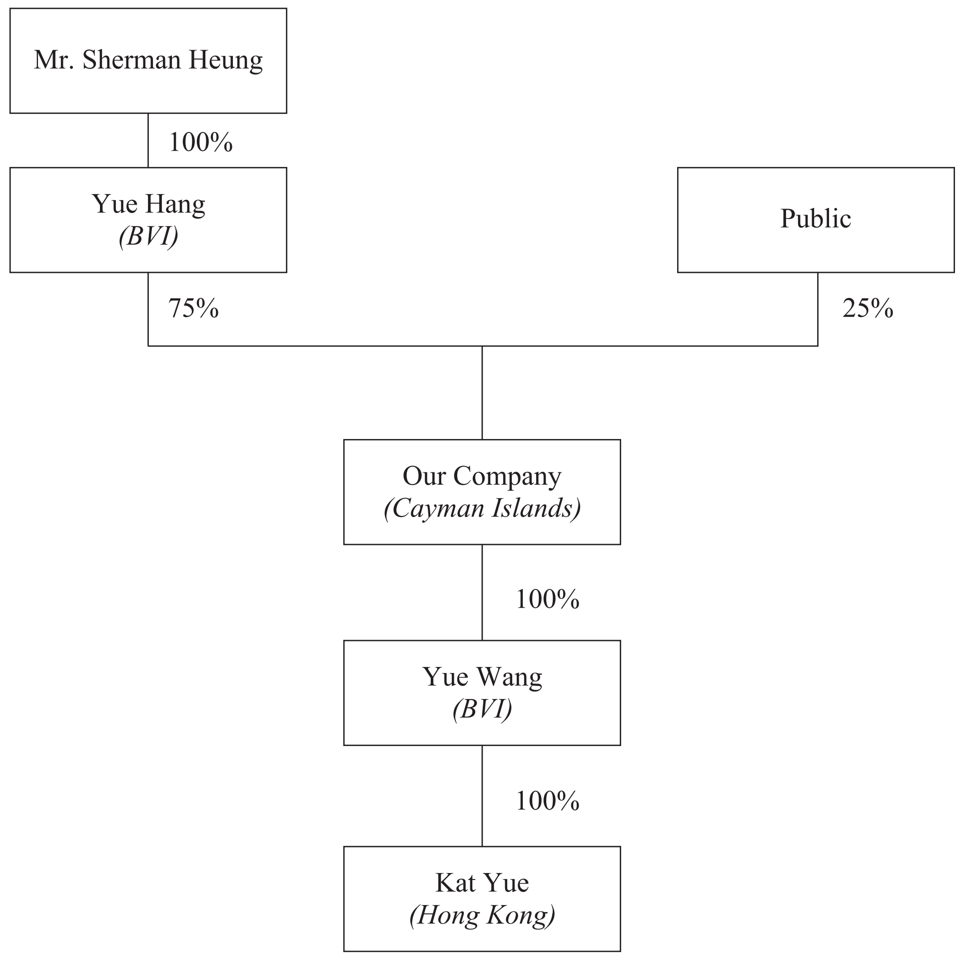
The following diagram sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



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



The following diagram sets forth the corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):



BUSINESS OVERVIEW

We are a Hong Kong-based marine construction works subcontractor specialising in reclamation works and supplemented by our vessel chartering services and other civil engineering works during the Track Record Period. The following table sets forth the breakdown of our revenue by the type of services provided by us during the Track Record Period:

	For the year ended 31 May							
	2017		2018		2019		2020	
	Revenue HK$'000	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*
Marine construction works	172,480	79.8	182,706	67.8	175,260	59.0	186,327	59.4
Vessel chartering services	32,180	14.9	82,302	30.5	23,781	7.9	3,597	1.2
Other civil engineering works	11,402	5.3	4,622	1.7	98,261	33.1	123,726	39.4
Total revenue	216,062	100.0	269,630	100.0	297,302	100.0	313,650	100.0

During the Track Record Period and up to the Latest Practicable Date, the marine construction works carried out by us included, among others, (i) reclamation works; (ii) regulation and deposition of sand blanket works; (iii) submarine pipeline works; and (iv) sediment treatment works. With a view to supplementing our marine construction works, we also provided vessel chartering services to our customers where we chartered vessels for a specific period with the provision of vessel crew for operation and management of the vessels if required by our customers. In addition, we were also engaged in other civil engineering works including foundation works, site formation works and roads and drainage works.

During the Track Record Period and up to the Latest Practicable Date, we provided our services through Kat Yue and we acted as a subcontractor in all of our projects, with our customers being main contractors of marine construction works and other civil engineering works in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we have completed 27 projects involving marine construction and/or other civil engineering works with an aggregate initial contract sum of approximately HK$737.6 million. As at the Latest Practicable Date, we had 10 projects in progress, including five marine construction projects, four other civil engineering projects and one project involving marine construction and other civil engineering works, with an aggregate initial contract sum of approximately HK$406.8 million and the estimated revenue of our projects in progress to be recognised subsequent to the Track Record Period amounted to approximately HK$372.1 million. For further details of our projects, please refer to the paragraph headed "Our marine construction and other civil engineering projects" in this section.

According to the Ipsos Report, during the Track Record Period, there were a total of six contracts involving reclamation works for the 3RS, of which our Group acted as a marine construction works subcontractor for five of these contracts. Our involvement in these contracts included reclamation works using our special enclosed deposition method for which our Group has submitted a patent application in the PRC and Hong Kong and other marine construction works. For details of our special enclosed deposition method, please refer to the paragraph headed "Our services – Marine construction works – Reclamation works – Laying of sand blanket" in this section. Our Directors consider that our strengths and performance in reclamation works which is partly attributed by our special enclosed deposition method, set us apart from our competitors as evidenced by our involvement as a marine construction works subcontractor for five out of six contracts involving reclamation works for the 3RS. For the years ended 31 May 2017, 2018, 2019 and 2020, we have completed three, four, six and three projects involving reclamation or regulation and deposition of sand blanket works which utilised our special enclosed deposition method, contributing approximately HK$112.1 million, HK$101.1 million, HK$74.9 million and HK$58.5 million to our total revenue for the corresponding period, respectively.

We possess a fleet of vessels and site equipment for performing our marine construction works, other civil engineering works and/or vessel chartering services. As at the Latest Practicable Date, our self-owned vessels included one tug boat, one work boat, one multi-purposes vessel, one dumb lighter and six special purpose vessels which can be altered as required to suit different needs for both marine construction works and vessel chartering services. Our major site equipment included AIS and GPS which were installed on the vessels used for our marine construction works and on all the vessels chartered or sub-chartered by us to our customers for tracking and monitoring of vessel movement. We also owned two excavators and six generators which can be used for both our marine construction works and other civil engineering works. In the event that we do not possess certain types of vessels or site equipment that we require, we will lease the required site equipment and/or charter such vessels from our suppliers.

Our investment in vessels and site equipment has placed us in a position to cater for the growing demand for reclamation works during the Track Record Period during which the gross output value of the reclamation works industry in Hong Kong increased from approximately HK$3.3 billion in 2016 to approximately HK$15.9 billion in 2019, and the continuing demand in the foreseeable future driven by the increasing demand for land supply and Government's initiatives in taking forward reclamation works as stated in the Ipsos Report. For the years ended 31 May 2017, 2018, 2019 and 2020, we acquired vessels and site equipment of approximately HK$14.1 million, HK$12.4 million, HK$24.1 million and HK$13.7 million, respectively. For further information in relation to our vessels and site equipment, please refer to the paragraph headed "Our vessels and site equipment" in this section.

During the Track Record Period, our vessels were primarily used for our marine construction works. With a view to supplementing our marine construction works, increasing the utilisation of our vessels and providing flexibility to our customers, we chartered our self-owned vessels to our customers when such vessels were not required to be deployed in project works being carried out by us. Further, to facilitate our customers' needs, we may charter vessels from our suppliers for sub-chartering to our customers. Our vessel chartering services generally involve chartering of vessel for a specified period with the provision of vessel crew to operate and manage the vessel as required by our customers. For the years ended 31 May 2017, 2018, 2019 and 2020, the revenue derived from our vessel chartering services were approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and

HK$3.6 million, respectively, representing approximately 14.9%, 30.5%, 7.9% and 1.2% of our total revenue during the corresponding years. Our Directors consider that the provision of vessel chartering services is complimentary to our marine construction works business segment in that our employees and vessels may be deployed interchangeably for the provision of marine construction works or vessel chartering services to our customers.

For our day to day operation, we have a team of well-experienced project management and operations staff to manage and carry out our marine construction projects, other civil engineering projects and vessel chartering services. As at the Latest Practicable Date, we had 11 project management and supervision staff, and 33 operators and workers to operate our vessels and site equipment and carry out necessary site works.

Our customers can be broadly classified as main contractors and subcontractors of public and private marine construction works or other civil engineering works in Hong Kong. For the years ended 31 May 2017, 2018, 2019 and 2020, our top five customers accounted for approximately HK$184.4 million, HK$250.4 million, HK$275.1 million and HK$248.9 million, representing approximately 85.3%, 92.8%, 92.6% and 79.3% of our total revenue, respectively. We have maintained a good business relationship with our top five customers during the Track Record Period, with the longest business relationship dating back since 2011.

During the Track Record Period, our suppliers included providers for diesel fuel and raw materials such as sand blanket material, geotextile material and spare parts, and service providers for chartering of vessel, leasing of site equipment, and maintenance of vessels and site equipment. Based on our consideration on internal resource, cost effectiveness and complexity of works involved, we subcontracted part of our project works such as general civil works, laying of geotextile material and surveying works to our subcontractors. For the years ended 31 May 2017, 2018, 2019 and 2020, our top five suppliers accounted for approximately 59.7%, 71.5%, 72.1% and 66.7% of our total cost of supplies, respectively, and our top five subcontractors accounted for approximately 97.4%, 95.6%, 97.1% and 94.1% of our total subcontracting costs, respectively. We have maintained a stable business relationship with our top five suppliers and top five subcontractors during the Track Record Period with the longest business relationship dating back since 2015 for both our top five suppliers and subcontractors.

According to the Ipsos Report, the rising demand for land supply in Hong Kong and the Government's initiative of increasing land supply by taking forward reclamation works are expected to propel the reclamation works industry and civil engineering industry in the long term, part of which will be attributable to the development of infrastructure after reclamation. The demand for marine construction works will be stimulated by ongoing marine construction projects and under-planning marine construction projects of the Government involving reclamation in areas including Sunny Bay reclamation, North-East Lantau Island, Lung Kwu Tan Reclamation, Ma Liu Shui Reclamation, Siu Ho Wan Reclamation and Landside Development North Lantau and Kau Yi Chau Artificial Islands, and other ongoing and under-planning non-reclamation marine construction projects. For details, please refer to the section headed "Industry Overview" in this prospectus. In view of the aforesaid, although there may be certain fluctuations in the gross output value from year to year, our Directors are of the view that there will be a stable demand for marine construction works, including reclamation works in Hong Kong in the coming years as a whole, which also brings stable growth to the local vessel chartering industry in Hong Kong. Further, with the projected stable growth in the civil engineering works industry in Hong Kong, our Directors are confident that the demand for our services, which range from marine construction works, vessel chartering services to other civil engineering works in Hong Kong, will remain robust in the coming years.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

We have the capability to devise innovative method and approach for carrying out marine construction works and contribute technical advice to our customers

Our experienced management and professional technical team have the capability to (i) provide innovative method and approach to our customers for carrying out marine construction works based on design drawings and project specifications provided to us as evidenced by alternative method statements proposed by us as to how the marine construction works may be performed to better suit our customers' specific requirements; and (ii) contribute technical advice and provide suggestions to cope with uncertainties or difficulties during the course of execution of our projects which require a good understanding of marine construction works as well as the project's operation.

For certain of our projects, after reviewing the project requirements of our customers or with the change in requirements as requested by our customers during the project due to project restrictions, our team will discuss with our customers and provide suggestions as to how the works may be better performed and we will submit an alternative method statement to our customers for their consideration. For example, in one of our marine construction projects where reclamation works had to be performed under low headroom conditions, the original designed method proposed by our customer was impracticable for application for works to be performed during daytime. We proposed three alternative methods for our customer's consideration, and the method adopted by our customer involved substituting the originally planned vessels to another type of vessel with our suggested modifications so as to enable the modified vessel to perform geotextile laying. Such arrangements enabled both geotextile laying and sand laying to be performed during day time to facilitate the works to be carried out efficiently as compared with the original method. This would not be possible using the original planned vessels due to height restriction of vessels adopted during daytime. In another marine construction project which involved the removal of aviation fuel pipeline under the sea-bed, due to the site conditions, we proposed to use the cage-like equipment designed for our special enclosed deposition method to lower the divers down to the work areas for performing the works. The cage-like equipment acted as a protection barrier to allow the diver to perform his works under a safe condition.

With our accumulated experience in marine construction works, we became more knowledgeable in the work methods of marine construction works and are able to provide technical advice to improve such work methods. Through collaboration with our technical team, we devised a special enclosed deposition method for reclamation which we considered to be more efficient as compared with the traditional approach. Patent applications have been made for such methods in the PRC and Hong Kong in February 2017 and August 2018, respectively. According to the Ipsos Report, our developed special enclosed deposition method for reclamation works enables fill materials to be evenly distributed on the sea-bed without the need of extra silt curtain, and increases cost effectiveness, efficiency and reduces environmental impact as compared to the traditional reclamation method, thereby differentiating ourselves from our competitors. During the Track Record Period, we have successfully utilised our special enclosed deposition method for reclamation works in six of our marine construction projects. For further details about our special enclosed deposition method, please refer to the paragraph headed "Our services – Marine construction works – Reclamation works – Laying of sand blanket" in this section. Further, with our technical knowledge and experience in performing both marine construction works and other civil engineering works, we are able to utilise our expertise to conduct works under difficult conditions and derive alternative methods and approaches to proceed with our works, where necessary.

Our Group's marine construction works and vessel chartering services are complimentary to each other and enable our operation to be more cost-effective

We possessed a fleet of vessels including one tug boat, one work boat, one multi-purposes vessel, one dumb lighter and six special purpose vessels as at the Latest Practicable Date, which are required for our marine construction works and were primarily utilised for our marine construction projects during the Track Record Period. The availability of self-owned vessels enabled us to perform our works at relatively lower costs as compared to chartering vessels from our suppliers. For further details, please refer to the paragraph headed "Our vessels and site equipment" in this section. It also provided us with the flexibility to manage our work schedule to ensure that our works are carried out in a timely manner. Subject to our marine construction works on hand, we also have the flexibility to charter our vessels to our customers when the vessels are not required for our marine construction projects as a source of our Group's revenue and improve the utilisation rate of our Group's vessels.

For our vessel chartering services, our customers may also require the services of our vessel crew to operate and manage our vessels. Hence, the vessel chartering services of our Group help us to better utilise, and therefore better retain our Group's experienced vessel crew. Our Directors consider that having a stable and regular workforce as well as our own vessel fleet enable our Group to (i) carry out marine construction works; (ii) provide vessel chartering services; and (iii) have better flexibility in utilising and allocating our vessel crew and vessels for different marine construction projects, which in turn increases our ability to handle multiple projects simultaneously. Further, as we have developed business relationships with our vessel suppliers for vessel chartering for our marine construction projects, we had a stable source of vessel suppliers and were able to cope with our customers' needs for our vessel chartering services by sub-chartering even when we do not own such vessel(s) as required by our customers at the relevant time. Thus, our Directors believe that our Group's marine construction works and vessel chartering services are complimentary to each other and enable our operation to be more cost-effective.

We have an established reputation and proven track record in marine construction works

According to the Ipsos Report, Kat Yue was one of the few subcontractors involved in the DCM trial works of the 3RS project in 2012. Prior to the DCM trial works of the 3RS project, DCM has never been used in Hong Kong's reclamation projects. As such, Kat Yue was one of the first marine construction contractors which was acquainted with using such non-dredging method for reclamation works in Hong Kong. Our Directors believe that Kat Yue's satisfactory performance of works in the DCM trials was acknowledged by our customers and Kat Yue was awarded with two further marine construction works contracts for DCM trial works of the 3RS in 2015. With our established experience in undertaking marine construction works to the satisfaction of our customers, we have developed our reputation in the marine construction works industry in Hong Kong and have been appointed as a subcontractor by different main constructors in five out of a total of six contracts involving reclamation works for the 3RS according to the Ipsos Report.

Since our business operation, we have gradually expanded our scope of works from marine piling works to reclamation works, regulation and deposition of sand blanket works, submarine pipeline works as well as sediment treatment works. We pride ourselves on having a strong technical team equipped with extensive experience and technical expertise which enables us to devise and provide our customers with an alternative method or approach in carrying out marine construction works to better suit our customers' needs, for example, with our special enclosed deposition method for laying of sand blanket, we were able to attain improved efficiency as compared to the traditional reclamation method and such method had been used in six of our marine construction projects during the Track Record Period. Our Directors believe that our well-established reputation and proven track record as a marine construction works subcontractor is one of the key contributory factors in retaining our existing customers as well as attracting new customers. During the Track Record Period and up to the Latest Practicable Date, we had completed 22 marine construction projects with an aggregate revenue of approximately HK$668.9 million recognised during the Track Record Period. For details of our marine construction projects on hand, please refer to the paragraph headed "Our marine construction and other civil engineering projects – Projects on hand" in this section.

Our experienced management, project management and supervision staff together has extensive operational expertise and technical knowledge

We have an experienced management team consisting of Mr. Sherman Heung, our Chairman and executive Director, and members of our senior management, project management and supervision staff, and together they are equipped with extensive operational expertise, technical knowledge and experience in the industries of marine construction works and other civil engineering works in Hong Kong. Mr. Sherman Heung has over 30 years of experience in marine construction works and civil engineering works. He has accumulated extensive knowledge in the planning and operations of both marine construction projects and other civil engineering projects, and he is responsible for the overall strategic management and development of our Group's business operations. Our senior management, Mr. Chow Ming Yin Gary and Mr. Leung Kwok Cheong both have over 20 years of experience in the civil engineering industry. Mr. Chow Ming Yin Gary, our project director, is responsible for the overall planning, supervision and progress management of our projects, and Mr. Leung Kwok Cheong, our project manager, is responsible for the overall management, monitoring and supervision of the operation at our project sites. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Their qualification and leadership have supported our Group in formulating competitive tenders/quotations, built up our track record and developed our reputation in the industries of marine construction works and other civil engineering works. Their vast operational experience, technical know-how and industry knowledge accumulated over the years have and will continue to contribute to our business development and future prospects and challenges. In addition to our management team, we also have other experienced project management and supervision staff including chief foreman and assistant chief foreman who have over seven to 18 years of experience in the marine construction works industry and civil engineering works industry in Hong Kong.

We have stable relationships with our major customers, suppliers and subcontractors

We have established stable business relationships with our major customers with the longest relationship with our top five customers during the Track Record Period dating back since 2011. Given the past cooperation experience and our performance of works, one of our major customers, namely LT Sambo Co., Ltd., being one of the largest market participants in the reclamation works industry in terms of revenue in 2018 according to the Ipsos Report, together with another company which is a transportation enterprise in Hong Kong, formed a joint venture with us to tender for three projects involving marine transportation services from the Airport Authority. The joint venture was subsequently terminated in August 2019 after all the three tenders were unsuccessful. Furthermore, we have also established stable business relationships with our major suppliers and subcontractors and the longest business relationship with our top five suppliers and subcontractors during the Track Record Period both dated back since 2015. Our Directors are of the view that our operating history, together with the established relationships with our major customers, suppliers and subcontractors contributed to our recognition and visibility in the market and enable us to attract potential business opportunities.

BUSINESS STRATEGIES

Strengthen our market position and expand our market share

Our principal business objective is to further develop and strengthen our market position for marine construction works and gradually increase our market share in the maine construction industry in Hong Kong by (i) diversifying and extending into provision of general reclamation works and post reclamation port works; and (ii) act as main contractor in public and private marine construction projects. According to the Ipsos Report, several ongoing marine construction projects including Central Kowloon Route – Kai Tak West, Cross Bay Link, Tseung Kwan O, Design, Build and Operate First Stage of Tseung Kwan O Desalination Plant and other under-planning marine construction projects are expected to drive the marine construction works industry in Hong Kong from 2020 to 2025. As for the reclamation works industry in Hong Kong, despite the expected temporary decrease in the gross output value to approximately HK$1.0 billion in 2023 and reaching the lowest point in

2024 due to delay in the Upcoming Projects as per the Ipsos Report, the gross output value is expected to bounce back over time to approximately HK$21.3 billion in 2027 due to the contract value of the Upcoming Projects being shifted to contribute to the gross output value of the reclamation works industry in Hong Kong from mid-2025 and thereafter, subject to the funding approval process in the Legislative Council.

According to the Ipsos Report, the gross output value of the reclamation works industry in Hong Kong in 2027 is expected to be over 150% higher than the gross output value of approximately HK$8.3 billion in 2017. Further, according to the Ipsos Report, to cater for the development as planned under the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" study ("**Hong Kong 2030+**") performed by the Planning Department in October 2016, reclamation works are anticipated to become one of the alternatives in increasing land supply and therefore is expected to propel the reclamation works industry in Hong Kong in the future. Hence, our Directors are optimistic and consider that the reclamation works industry in Hong Kong will continue to grow in the long run despite the temporary drop in the market due to the expected delay of the Upcoming Projects from 2023 to mid-2025. Leveraging on our management team with extensive technical knowledge and experience in reclamation works and marine construction works, we intend to continue to identify business opportunities and further develop our scope in reclamation works, collaborate with other specialist contractors in the form of joint ventures to carry out general reclamation works such as DCM works in the longer term, whereby our Directors expect our participation would entail similar nature of works undertaken by us during the Track Record Period, and to bid for other public or private marine construction projects as a main contractor in the form of joint venture.

On the other hand, we would continue to secure other civil engineering projects. According to the Ipsos Report, it is expected that the gross output value of the civil engineering works in Hong Kong will increase from approximately HK$52.9 billion in 2020 to approximately HK$62.9 billion in 2024, primarily attributable to the ongoing demand of civil engineering works in Hong Kong such as advance site formation and engineering infrastructure works at Kwu Tung North and Fanling North New Development Areas, Trunk Road T2, Kai Tak Development stage 4 and 5 and construction of Cross Bay Link in Tseung Kwan O. Additionally, under the 3RS project, apart from the reclamation works and marine construction works, it is estimated that the gross output value of other civil engineering works would amount to approximately HK$85.3 billion, including the third runway passenger building and terminal 2 modification/expansion and the whole 3RS project is aimed to be completed by 2024. In view of the increasing gross output value and potential development of the civil engineering industry in Hong Kong, part of which are contributed by the 3RS development, our Directors consider that gradually expanding our market share in other civil engineering works would be strategically beneficial for the future development and continue growth of our Group. In particular, our Directors consider that we have established good working relationship with major contractors currently working in the 3RS-related projects and have successfully completed works to the satisfaction of these major contractors and their employer, the Airport Authority. As these major contractors are also engaged in other civil engineering works in Hong Kong, with one of such contractors being a major player in the civil engineering works industry in Hong Kong, our Directors believe that our past job reference will be considered in future tendering/quotation process and our Group will be well positioned to pursue other civil engineering works of Hong

Kong infrastructure project as well as that under the 3RS development in the future. During the Track Record Period and up to the Latest Practicable Date, we have been awarded one other civil engineering project related to the 3RS development with an initial contract sum of approximately HK$17.1 million. We would continue to submit more tenders/quotations for other civil engineering projects to build up our portfolio and enhance our track record in the civil engineering industry in Hong Kong.

In order to increase our competitiveness to attract potential customers, we may adjust our profit margin in our tenders/quotations with a view to secure more other civil engineering projects to expand our market share. Furthermore, it should be noted that our profit margin derived from other civil engineering projects may vary from project to project, attributable to factors such as scope of works, schedule of works, manpower requirement and availability of our operational and financial resources at the relevant time, which will affect the composition of the direct costs related to the subject project. Our Directors believe that maintaining a stable profile of other civil engineering works will give our Group flexibility to allocate our resources to marine construction projects or other civil engineering projects and allow us to adjust our position in the civil engineering industry in Hong Kong to keep pace with the market trend.

Further, we would continue to maintain our vessel chartering services to provide us flexibility for the use of our vessels. According to the Ipsos Report, the performance of the local vessel chartering industry in Hong Kong is expecting an overall minor increase from 2019 to 2026 at a approximately CAGR of 1.6% with gross output value of approximately HK$4.2 billion in 2019 to HK$4.6 billion in 2026 with a minor decreasing trend between 2021 to 2023 due to the delay of the Upcoming Projects. However, it is expected that the continuous projects of marine construction works at the 3RS, the Tung Chung New Town Extension project, other non-reclamation marine construction projects and other civil engineering works on reclaimed land, especially for projects without direct land transportation, will contribute to the gross output value of the local vessel chartering industry in Hong Kong from 2020-2023, and the gross output value is expected to rebound to approximately HK$4.6 billion in 2026.

In October 2019, we have been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works which enables our Group to tender for public work contracts of port works of up to HK$300 million as main contractor in Hong Kong and allows us to further develop our customer base. Our Directors believe that the admission will attract foreign contractors not being a contractor on the List of Approved Contractors for Public Works to work with us on public projects which require at least one of the contractors to the project to be on list and such cooperation may promote exchange of techniques and expertise in different areas of marine construction works. In view of the expected industry development and our admission as an approved contractor under Group B (probation) of the port works category in the List of Approved Contractors for Public Works, our Directors believe that by strengthening our capacity for carrying out marine construction works and other civil engineering works through expansion of our vessel fleet, site equipment and workforce, we will be better positioned to compete for and take up more sizeable contracts from both our existing and new customers. As at the Latest Practicable Date, our Group has two tenders submitted for port works contracts as a main contractor which are pending results with an aggregate contract sum of approximately HK$151.3 million. Despite our role as a subcontractor in our projects during the Track Record Period, leveraging on our extensive project management experience, we have been responsible for project management, supervision and coordination role in some of our projects, and our Directors consider that such management role was analogous to the management role of a main contractor. Further, our project director, Mr. Chow Ming Yin Gary, and our project manager, Mr. Leung Kwok Cheong, are both well-experienced from their previous employment history in handling projects for companies acting in the capacity as main contractor. For details, please refer to the paragraph headed "Directors, Senior Management and Employees – Senior management" in this prospectus. As such, our Directors consider that our project management team have the capability, experience and skills to handle projects where we act as a main contractor. Further, as part of our expansion plan, our Group will recruit three additional project management staff to cope with our business development and future project portfolio mix including a commercial director who will be responsible for quantity surveying related works and budget and cash flow control. Depending on our project's needs, our role in the project and review of the work programme, different staff members will be assigned to supervise and execute the works of the relevant projects. As to the main contractor projects, we expect our project management team will mainly comprise project manager, site agent, engineers, quantity surveyor, foreman and safety officer, whereas for projects which we act as the subcontractor, depending on the specific needs of the project and whether we would take up the project management role, we may adjust the project management team to comprise at least site agent, engineers and senior foremen.

In addition to personnel management, as our project portfolio in the future may include larger scale projects where we undertake the role as a main contractor, our Group anticipates that our working capital commitment will become larger as compared with our current position and role as a subcontractor to a project. Typically, as a main contractor, higher upfront costs may be incurred in a project to commence works before progress payment is received 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, payment of insurance, fees and levy, and if necessary, taking out upfront performance/surety bonds. For subcontractors, the working capital requirement generally includes labour costs, sub-subcontractors costs and site equipment costs for completing the awarded works. In anticipation that our Group will undertake more projects as a main contractor going forward, to minimise the risk of cash flow mismatching in our operations, our Group has adopted the following measures:

(i) monitoring of our cash flow situation at the project level as well as at our Group's level as a whole and adopting a conservative approach to budgeting our working capital requirements, commitments and investments, if any;

(ii) before tendering for a potential main contractor project, we will study the details of the contract structure in detail and review items including the payment mechanism, responsibilities and risk allocation between the Government/employer and the main contractor. A budget plan covering the type and number of work items and the rates in the bill of quantities will be prepared and such budget plan will be used by the management to determine an acceptable profit margin for the relevant project. In addition, the management will devise a cashflow plan for the relevant project with reference to the budget plan to ensure that the project working capital will be managed effectively;

(iii) as upfront costs for a main contractor project may temporarily tie up our Group's resources and our Directors consider that sizeable projects with large initial contract sum usually have a longer contract period and their cash inflows are expected to be lengthier compared with projects with shorter contract period, particular attention will be given to projects with large initial contract sum with a view to effectively manage the working capital requirements for these projects where we act as a main contractor. To minimise the impact of such working capital requirement to our Group's overall cash flow position, our management will closely monitor our cash flow position, internal resources and the amount of our unutilised banking facilities, and where necessary, our Group will liaise with financial institutions to obtain additional banking facilities in advance at the appropriate time to strengthen our available financial resources, and apply the banking facilities and/or our internal resources at the relevant time to finance the initial costs to be incurred in the early stage of the projects, which generally include purchase of construction materials and the payment of wages to our staff and our subcontractors. As at the Latest Practicable Date, one of our bankers has agreed in principle to offer new banking facilities ranging from HK$25 million to HK$50 million to finance our main contractor projects; and

(iv) we will continue to manage our working capital and cash position prudently and use our best endeavours to collect amounts due to us from our customers efficiently to minimise our exposure to liquidity risks. During the Track Record Period, our business was principally financed by internal resources and bank borrowings. In the future, we will continue to monitor our liquidity position closely and assess the funding requirements of each project to maintain a sound financial position and ensure that our Group has sufficient financial resources.

Acquisition of additional vessels and site equipment

In general, marine construction works involve usage of various types of vessels including (i) dumb lighter for lifting and transporting equipment, labour and materials for laying the sand blanket and underlayer; (ii) tug boat for mobilising and manoeuvring of vessels in working area; (iii) flat top barge for provision of working space for construction works and storage area for materials or equipment; (iv) crane barge for heavy lifting in construction works such as piling and construction of seawall and outfall; (v) work boat for assisting vessels in mooring process; (vi) multi-purposes vessel for both transporting passengers and mobilising and manoeuvring of vessels in working area; and (vii) special purpose vessel which can be altered to suit the required marine construction works. Hence, the availability of these vessels, some of which we do not currently possess and are chartered from our suppliers, will constrain our capacity to carry out marine construction works.

During the Track Record Period and up to the Latest Practicable Date, our Group's self-owned vessels have been deployed to the following marine construction projects and vessel chartering arrangements:

Type of vessel(s)	**Deployment of self-owned vessels during Track Record Period and up to the Latest Practicable Date**
Tug boat *(Note 1)*	Project 044 Vessel chartering 048 Vessel chartering 054
Dumb lighter *(Note 2)*	Vessel chartering 028 Project 041 Vessel chartering 054 Project 058
Work boat	Project 012 Project 017 Project 018 Project 027 Project 028 Project 044 Project 058 Vessel chartering 010
Special purpose vessels	Project 017 Project 018 Project 021 Project 028 Project 044 Project 058 Vessel chartering 009 Vessel chartering 048 Vessel chartering 049 Vessel chartering 053 Vessel chartering 054
Multi-purpose vessel *(Note 3)*	Project 044

Notes:

1. The tug boat was acquired in March 2020.

2. During the year ended 31 May 2019, one dumb lighter was disposed given the Company considered that its size and capacity (being 226 tonnes) was not suitable for our current and future needs. Our Group acquired one dumb lighter (being 1,358 tonne) during the year ended 31 May 2020 for our business operations.

3. The multi-purpose vessel was acquired during the year ended 31 May 2020.

During the Track Record Period and up to the Latest Practicable Date, subject to availability of our Group's self-owned vessels and the type of vessels required for the marine construction works undertaken by us, we also chartered vessels from our suppliers for deployment to our marine construction projects or such vessels were provided by our subcontractors as part of the subcontracting arrangements. Set out below are the vessels chartered from/provided by our suppliers/subcontractors for carrying out our marine construction projects during the Track Record Period and up to the Latest Practicable Date:

Project code	**Type of vessels chartered from/provided by our Group's suppliers/subcontractors**
005	● Three dumb lighters ● One passenger boat ● Two tug boats
006	● One work boat ● Six dumb lighters ● Three passenger boats ● Four tug boats ● Four special purpose vessels
007	● One work boat ● Six dumb lighters ● Two passenger boats ● Four tug boats ● Four special purpose vessels
008	● One work boat ● Six dumb lighters ● Two passenger boats ● Four tug boats ● Four special purpose vessels
011	● One work boat ● One passenger boat ● Three tug boats ● Four special purpose vessels ● One dumb lighter
012	● Two passenger boats ● Two tug boats ● One work boat
014	● One dumb lighter ● Four special purpose vessels

Project code	Type of vessels chartered from/provided by our Group's suppliers/subcontractors
015	● Five dumb lighters ● One passenger boat ● One tug boat
016	● Two dumb lighters
017	● Three dumb lighters ● Two tug boats ● One passenger boat
018	● Ten dumb lighters ● One passenger boat ● Four tug boats
021	● Three dumb lighters ● Two tug boats ● One crane barge
027	● Four dumb lighters ● Two passenger boats ● Three tug boats ● One crane barge
028	● Three dumb lighters ● Two passenger boats ● Three tug boats
029	● Two flat top barges ● Two tug boats
031	● One dumb lighter ● One tug boat
032	● Two dumb lighters ● Two flat top barges ● Three tug boats
036	● One work boat ● Three tug boats ● Two dumb lighters ● Two flat top barges
038	● One passenger boat

Project code	Type of vessels chartered from/provided by our Group's suppliers/subcontractors
039	• Two dumb lighters • Two flat top barges • Three tug boats
041	• One dumb lighter • Two flat top barges • Two tug boats
043	• One passenger boat
044	• One special purpose vessel • One dumb lighter • One passenger boat
047	• One passenger boat
050	• Two dumb lighters • Two flat top barges • Three tug boats
051	• One dumb lighter • Two flat top barges • Two tug boats
052	• One dumb lighter • Two flat top barges • Two tug boats
058	• One dumb lighter • Two flat top barges • Two tug boats

According to the Ipsos Report, in addition to competitive pricing, the portfolio of vessel fleet is also one of the factors of competition in assessing the competitiveness of a contractor as vessels are crucial in a marine construction project where all the works are carried out on the sea and a competitive advantage for other civil engineering projects on reclaimed land, especially for projects without direct land transportation. It is considered that companies with a more comprehensive vessel fleet may be preferred as they have a higher operational flexibility in coping with the uncertainties and difficulties faced in a project, and without such operational flexibility, contractors may face risk in gathering the resources required in the event of unexpected circumstances. This may then lead to delays in project execution. As at the Latest Practicable Date, our vessel fleet consisted of one tug boat, one work boat, one dumb lighter, one multi-purposes vessel, and six special purpose vessels which can be altered with different site equipment to suit our needs. In view of the above, we intend to acquire seven additional vessels including one dumb lighter, two tug boats, two flat top barges, one passenger boat and one work boat to supplement our existing vessel fleet. The details of the functions of the vessels to be acquired and the expected timeframe of acquisition are set out below:

Type of vessels	Functions	Number of vessel(s)	Expected timeframe of acquisition
Dumb lighter	Transport/unloading/loading goods, containers or materials to and from moored vessels	1	in or around April 2021
Flat top barge	Transport/unloading/loading goods, containers or materials to and from moored vessels	2	in or around December 2020 and February 2021
Passenger boat	Providing transportation services for passengers from point-to-point	1	in or around February 2021
Tug boat	Manoeuvring other vessels by pushing or pulling them either by direct contact or by means of a tow line.	2	in or around December 2020 and February 2021
Work boat	(i) towing special purpose vessels for reclamation works; (ii) assisting vessels in mooring process; (iii) collecting water samples for testing; and (iv) removing of marine waste from local waters	1	in or around April 2021
Total		**7**	

The functions of these vessels generally enable them to be deployed in different types of marine construction projects, including port work projects, reclamation and non-reclamation projects. Based on the marine construction projects and vessel chartering arrangements on hand as at the Latest Practicable Date and the timeframe for the acquisition of the additional vessels, we expect that the usage of our current vessel fleet and proposed additional vessels to be acquired using the net proceeds from the Share Offer will be as follows:

Project code for projects/ vessel chartering arrangements on hand	**Estimated project period/charter period**	**Self-owned vessel(s) assigned to the project/ vessel chartering arrangement**	**Number and type of vessel(s) which may be assigned involving, among others, the type(s) of vessel(s) proposed to be acquired by our Group**
041	March 2020 to May 2021	• One dumb lighter	• One dumb lighter • Two flat top barges • Two tug boats
045	September 2020 to February 2022	• One work boat • Six special purpose vessels	• Two tug boats • Three dumb lighters • One passenger boat
047	January 2020 to April 2021	• One special purpose vessel	• One passenger boat • One tug boat
049	February 2020 to April 2021	• One special purpose vessel	N/A
050	March 2020 to February 2021	N/A	• Two dumb lighters • Two flat top barges • Three tug boats
054	June 2020 to May 2022	• Two special purpose vessels • One tug boat • One dumb lighter	N/A
057	October 2020 to May 2022	N/A	• One dumb lighter • Two flat top barges • Two tug boats

Project code for projects/ vessel chartering arrangements on hand	Estimated project period/charter period	Self-owned vessel(s) assigned to the project/ vessel chartering arrangement	Number and type of vessel(s) which may be assigned involving, among others, the type(s) of vessel(s) proposed to be acquired by our Group
058	September 2020 to March 2021	N/A	● One dumb lighter ● Two flat top barges ● Two tug boats

Further, based on (i) the tenders/quotations submitted by our Group and (ii) the invitations for tender/quotation received by our Group but not yet submitted as at the Latest Practicable Date, our Directors plan that the following vessels from our expanded vessel fleet after the proposed acquisition of vessels using the net proceed from the Share Offer after Listing will be deployed for performing the marine construction works, near shore other civil engineering works or vessel chartering arrangements for the submitted tenders/ quotations:

	Type of works and work scope	Tender/ quotation submission status as at the Latest Practicable Date	Estimated project period/charter period	Estimated initial contract sum or revenue to be recognised *HK$ million*	Number and type of vessel(s) which may be assigned involving, among others, the type(s) of vessel(s) proposed to be acquired by our Group
1.	Vessel chartering	Submitted	December 2020 to October 2024	66.9	● Two flat top barges ● Three tug boats
2.	Vessel chartering	Submitted	5 months *(Note 1)*	31.4	● 17 dumb lighters ● Four flat top barges
3.	Marine construction works – marine piling works in relation to the 3RS project	Submitted	December 2020 to March 2022	15.2	● One special purpose vessel ● One flat top barge ● One tug boat

	Type of works and work scope	Tender/ quotation submission status as at the Latest Practicable Date	Estimated project period/charter period	Estimated initial contract sum or revenue to be recognised *HK$ million*	Number and type of vessel(s) which may be assigned involving, among others, the type(s) of vessel(s) proposed to be acquired by our Group
4.	Marine construction works – reclamation works and other civil engineering works – site formation works in relation to water treatment and ancillary facilities in New Territories	Submitted	4th quarter 2020 to 4th quarter 2025 *(Note 2)*	92.8	• One dumb lighter • Two flat top barges • Two tug boats
5.	Marine construction works and other civil engineering works – foundation works	Submitted	December 2020 to July 2022	96.8	• One special purpose vessel • One tug boat
6.	Marine construction works and other civil engineering works – site formation and foundation works for purported redevelopment in Lamma Island	Submitted	January 2021 to June 2022	97.2	• One flat top barge • One passenger boat • One tug boat
7.	Marine construction works – management of sediment disposal facility	Submitted	4th quarter 2020 to 4th quarter 2025 *(Note 2)*	63.2	• One work boat • One dumb lighter • One flat top barge • One tug boat
8.	Marine construction works – construction of a public land facility at Lei Yue Mun	Submitted	January 2021 to January 2023	88.1	• One work boat • One flat top barge • One tag boat

	Type of works and work scope	Tender/ quotation submission status as at the Latest Practicable Date	Estimated project period/charter period	Estimated initial contract sum or revenue to be recognised *HK$ million*	Number and type of vessel(s) which may be assigned involving, among others, the type(s) of vessel(s) proposed to be acquired by our Group
9.	Marine construction works – sewerage works	Submitted	2nd quarter 2021 to 3rd quarter 2021 *(Note 2)*	2.9	• One dumb lighter • One flat top barge • One tug boat
10.	Vessel chartering	Submitted	1st quarter 2021 to 3rd quarter 2021 *(Note 2)*	1.2	• One tug boat
11.	Vessel chartering	Submitted	1st quarter 2021 to 1st quarter 2022 *(Note 2)*	11.2	• One work boat • One dumb lighter • One flat top barge • One tug boat
12.	Marine construction works and other civil engineering works – foundation and substructure works	To be submitted	February 2021 to January 2023	120.0	• One special purpose vessel • One dumb lighter • One tug boat
13.	Marine construction works – port works	To be submitted	1st quarter 2021 to 4th quarter 2022 *(Note 2)*	10.0	• Two work boats • Two flat top barges • One tug boat
14.	Marine construction works – Rowing boat launching facilities along Shing Mun River	To be submitted	12 months	20.0	• One work boat • One special purpose vessel • One dumb lighter • One flat top barge • One passenger boat • One tug boat

Notes:

1. For some vessel chartering arrangements, information regarding the charter period is not yet available as at the Latest Practicable Date and only the length of charter period is known.

2. The estimated project period is based on the information available to our Group as at the Latest Practicable Date.

According to the Ipsos Report, the gross output value of the marine construction works industry in Hong Kong is expected to exceed approximately HK$24.0 billion in 2020 and 2021 and despite a temporary decrease in the gross output value in 2022 and reaching a low point in 2023 due to the delay of the Upcoming Projects, the gross output value is expected to bounce back significantly over time to approximately HK$29.9 billion in 2027. According to the Ipsos Report, under the aforesaid scenario, there are still other ongoing and under-planning non-reclamation marine construction projects, including (i) Cross Bay Link, Tseung Kwan O – main bridge and interchange; (ii) Tseung Kwan O Desalination Plant; (iii) Central Kowloon Route-Kai Tak West; and (iv) Trunk Road T2 and Cha Kwo Ling Tunnel construction with expected completion time from around 2022 to 2025, which in aggregate will contribute not less than HK$27.9 billion to the marine construction works industry in Hong Kong between 2020 to 2025, and the reclamation industry in Hong Kong will be driven by the 3RS project and the Tung Chung New Town Extension project during this period. For details of the on-going and under-planning non-reclamation marine construction projects, please refer to the paragraph headed "Industry Overview – Overview of the marine construction works industry in Hong Kong" in this prospectus.

The tables below set out the typical types of vessels required for the ongoing and under-planning non-reclamation marine constructions projects and reclamation projects:

Non-reclamation projects

Project name	*Target completion date*	*Typical types of vessels used*
Development of Lok Ma Chau Loop – land decontamination and advance engineering works	2021	• Flat top barge • Special purpose vessel • Tug boat
Reconstruction of Pak Kok Pier on Lamma Island	2022	• Launch • Work boat • Tug boat • Dumb lighter • Flat top barge
Cross Bay Link, Tseung Kwan O	2022	• Flat top barge • Dumb lighter • Launch • Work boat • Special purpose vessel • Tug boat
Design, Build and Operate First Stage of Tseung Kwan O Desalination Plant	2022	• Dumb lighter • Work boat • Special purpose vessel • Flat top barge • Tug boat
Kai Tak development – infrastructure for developments at the former runway and south apron	2023	• Work boat • Flat top barge • Tug boat
The Brothers Marine Park – Deployment of Artificial Reef	2023	• Launch • Work boat • Dumb lighter • Crane barge • Tug boat
Central Kowloon Route – Kai Tak West	2025	• Flat top barge • Dumb lighter • Launch • Work boat • Tug boat

Project name	*Target completion date*	*Typical types of vessels used*
Trunk Road T2 and Cha Kwo Ling Tunnel – Construction	2025	● Flat top barge ● Dumb lighter ● Launch ● Work boat ● Special purpose vessel ● Tug boat
Preservation of Queen's Pier	N/A*(Note)*	● Tug boat ● Launch ● Work boat

Note: Information is not publicly available

Reclamation projects

Project name	*Target completion date*	*Typical types of vessels used*
3RS project	Mid 2021	● Flat top barge ● Dumb lighter ● Launch ● Special purpose vessel ● Work boat
Tung Chung New Town Extension	2023	● Flat top barge ● Dumb lighter ● Launch ● Special purpose vessel ● Tug boat ● Work boat

As part of our business strategy as described above, our Group intends to diversify our marine construction works portfolio and such additional vessels may be deployed to marine construction projects awarded to our Group in the future. Besides deploying the vessels for our project use, there are general market demands for chartering of such types of vessels in Hong Kong. During the Track Record Period, the types of vessels we chartered to our customers included dumb lighter, tug boat, passenger boat and work boat which we intend to acquire using net proceeds from the Share Offer. According to the Ipsos Report, the ongoing and under-planning marine construction projects will also typically involve usage of vessels including dumb lighter, work boat, tug boat, and flat top barge. Apart from marine construction works, the gross output value of the local vessel chartering industry in Hong Kong will also be driven by other civil engineering works on reclaimed land, especially for projects without direct land transportation, such as those to be carried out at the third runway. This will typically involve usage of vessels such as work boat, launch and barge, which are used for transportation of materials, machinery and/or site equipment and workers.

According to the Ipsos Report, the estimated construction cost of other civil engineering works on the reclaimed land under the 3RS project amounted to approximately HK$85.3 billion while the whole 3RS project is aimed to be completed by 2024. To facilitate such other civil engineering works on the reclaimed land, including transportation of materials, machinery and/or site equipment and workers, it is expected that vessel chartering services would be demanded and required by the civil engineering works contractor. Thus, these 3RS-related other civil engineering works or other civil engineering works on reclaimed land will be a driver of the gross output value of the local vessel chartering industry in Hong Kong with an expected decline at a negative CAGR of approximately 2.2% from 2020 to 2023, despite the decline of the marine construction works industry in Hong Kong at a negative CAGR of approximately 28.3% during the corresponding period. Further, according to the Ipsos Report, despite fluctuation in the gross output value of the marine construction works industry in Hong Kong from 2013 till now due primarily to the fluctuation in the value of the reclamation construction works industry in Hong Kong, the number of licensed vessels of class II vessels under the Merchant Shipping (Local Vessel) Ordinance (Cap. 548) which include vessels generally required to perform marine construction work (such as tugs, dredgers, barges, cargo light, dumb lighters and pilot boats) also remained stable from 2013 to 2019, ranging from 1,789 units to 1,915 units, demonstrating that the number of class II vessels in Hong Kong is not affected by the rise and fall in the reclamation works industry in Hong Kong as non-reclamation marine construction works industry in Hong Kong is relatively stable and sufficient to provide works for the registered vessels. Our Directors consider that the acquisition of additional vessels can provide us the flexibility to deploy the acquired vessels for our marine construction projects or charter the vessels to our customers if we are not awarded with the marine construction projects, or be deployed for other civil engineering works on reclaimed land awarded to us.

Our Directors believe that acquiring additional vessels of different types and/or with different capacity will enable us to (i) build a more comprehensive vessel fleet to cope with our business development; (ii) give us a competitive advantage in the tendering/quotation process, strengthening our position to cater for different types and scale of marine construction projects in the marine construction works industry or other civil engineering projects on reclaimed land; (iii) increase our overall efficiency, capacity and technical capability in performing our works as well as our ability to cater for the different needs and requirements of our customers, including our customers for vessel chartering; and (iv) enable us to meet the expected development for marine construction works, including reclamation and non reclamation marine construction works in Hong Kong. Further, as for site equipment, we intend to acquire eight excavators, two of which will be installed on barge and six hydraulic hammers which may be used for our marine construction projects and/or other civil engineering projects to provide us with higher operational flexibility and better management for deploying the site equipment for different projects and allow us to manage our project cost more effectively.

Strengthening our manpower

As we intend to take on more marine construction projects and other civil engineering projects as well as contracts with larger initial contract sums, we consider that having adequate management staff equipped with appropriate knowledge and experience to oversee and supervise our projects is crucial to our continuing success. Further, as our Directors intend to continue to tender for marine construction works as a main contractor as we have been admitted as an approved contractor under Group B (Probation) of the port works category on the List of Approved Contractors for Public Works, it is inevitable that more management staff will be required to assist in the planning and tendering process as well as supervising the projects awarded. Therefore, we intend to expand our manpower by recruiting three project management staff including one commercial director and two project managers, two supervising foremen, one safety officer and one supporting staff in order to cope with our business development. Additionally, with our plans to acquire additional vessels and site equipment as described above, we intend to recruit 35 additional full time staff, which include vessel crew and other marine construction works staff and site equipment operators, to maintain a sufficient number of staff to operate our vessels and site equipment.

Implementation of business strategies

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

OUR SERVICES

During the Track Record Period and up to the Latest Practicable Date, we provided marine construction works including reclamation works, regulation and deposition of sand blanket works, submarine pipeline works as well as sediment treatment works as a subcontractor to our customers. With a view to supplementing our marine construction works, we also provided vessel chartering services to our customers. In addition, we were also involved in other civil engineering works including foundation works, site formation works and roads and drainage works. Depending on the specifications and requirements of each project and our customers' needs, we may undertake one or more type of works and/or services in a project. The following table sets forth a breakdown of our revenue for marine construction works and other civil engineering works during the Track Record Period by sectors:

	For the year ended 31 May							
	2017		2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Public sector								
– Marine construction works	172,480	93.8	182,706	97.5	175,260	64.1	186,327	60.1
– Other civil engineering works	11,402	6.2	4,622	2.5	–	–	31,898	10.3
Private sector								
– Marine construction works	–	–	–	–	–	–	–	–
– Other civil engineering works	–	–	–	–	98,261	35.9	91,829	29.6
Total	183,882	100.0	187,328	100.0	273,521	100.0	310,054	100.0

In addition to the revenue derived from our marine construction projects and other civil engineering projects, our Group also derived approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and HK$3.6 million from our vessel chartering services for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

Set forth below is a brief overview of the major types of works and/or services undertaken by us during the Track Record Period.

Marine construction works

Reclamation works

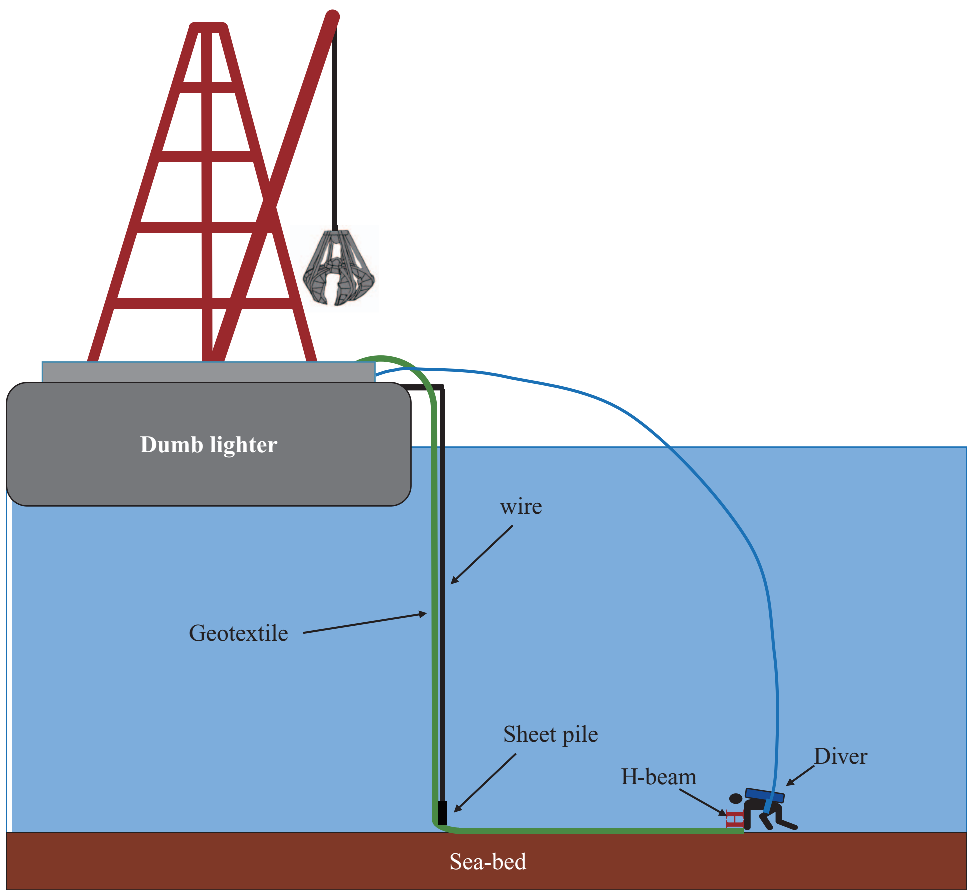
Land reclamation enables new land to be formed from the ocean, riverbeds or lakebeds by filling the reclamation area with landfilling materials such as sand, rocks or inert materials left from the demolition of buildings until the desired height is reached. To protect the reclamation area from the sea, seawalls are generally constructed to separate the reclamation area. Once the landfilling reach the desired height, earth-moving machines may be deployed to level the reclaimed land.

According to the Ipsos Report, there are two main reclamation methods, namely the drained method and the dredged method. The drained method involves putting layers of earth and sand on the sea-bed, and creating pressure to consolidate them. In the past, the consolidation is accelerated by the use of vertical drains with surcharge preloading which is a ground treatment method to accelerate the consolidation of sub-soil layers and densify the fill by placing surcharge (usually additional fill) temporarily on top of the reclamation. The current drained method involves the use of DCM to treat and strengthen the existing soil before applying the surcharge to further minimise the time required to satisfactorily consolidate the soil. Although this method is relatively more time-consuming as compared with the dredged method, it is more environmentally friendly as it leaves the soft marine deposit in place. The dredged method involves the removal and disposal of soft marine deposit before placing the fill. Such method may involve the disposal of developed sediments and contaminated mud which would have a large environmental impact. During the Track Record Period, we have been using the drained method for our reclamation. This involves laying the geotextile material on the existing sea-bed, installation of sand blanket and construction of seawalls.

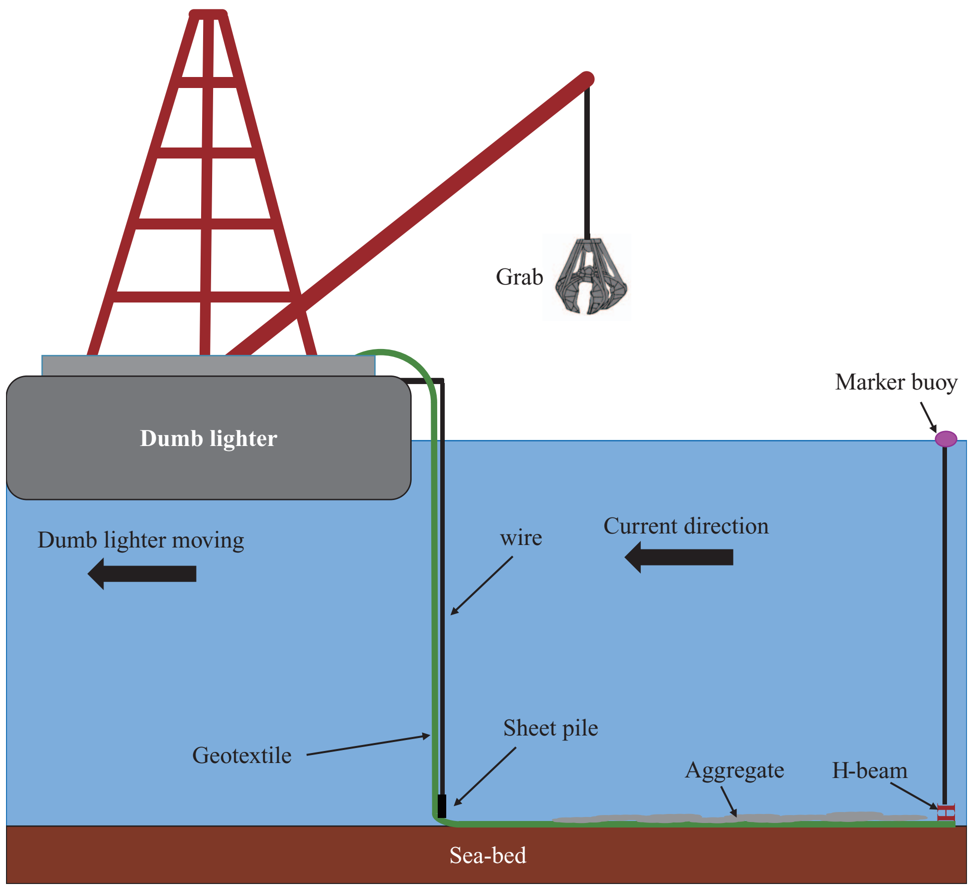
Laying of geotextile material

Geotextile sheets are laid on the top of the marine deposit to act as a filter to separate the marine deposit and the sand blanket. Dumb lighter will be deployed for laying of the geotextile and divers will put the geotextile in the right direction under the water. In the course of spreading and laying the geotextile, the dumb lighter will place an H-beam on one end of the geotextile at the start point confirmed by the diver to secure and prevent the geotextile from shifting away from its original laying position and a sheet pile will be hung along the shipside of the dumb lighter to a depth of approximately 0.5 m from the sea-bed for guiding the geotextile onto the sea-bed during the installation. During the laying of geotextile, aggregate will be sprayed on the middle roll of laid geotextile in intervals by the dumb lighter to prevent the laid geotextile from wrapping up due to the current. The same procedures will be repeated until the geotextile laying of the whole footprint area of sea-bed is completed. The following diagrams illustrate the major procedures for laying of geotextile material:

Step 1: Geotextile will be placed onto the sea-bed by the dumb lighter and an H-beam will be placed onto the geotextile at the start point to fix its laying position.

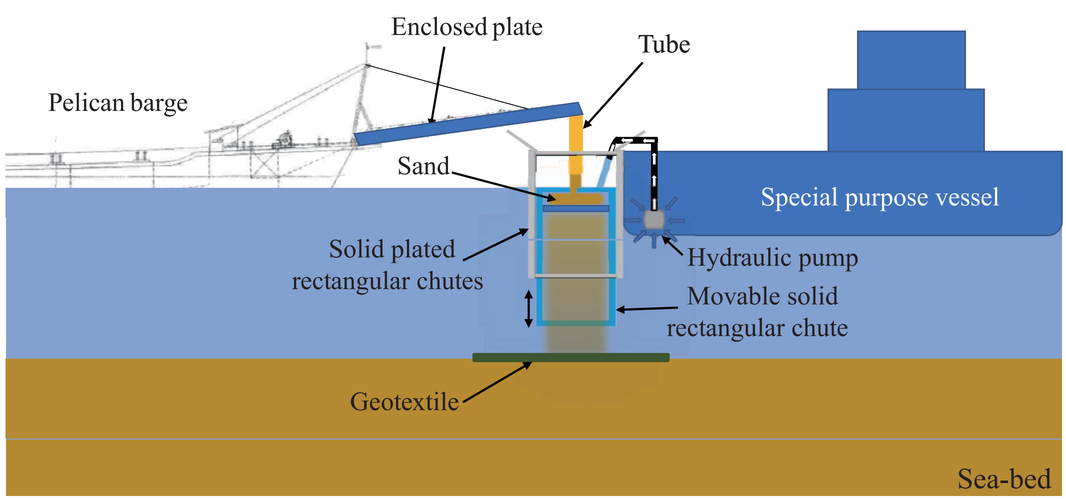


Step 2: Aggregate will be placed on the laid geotextile in intervals to fix the position.



Laying of sand blanket

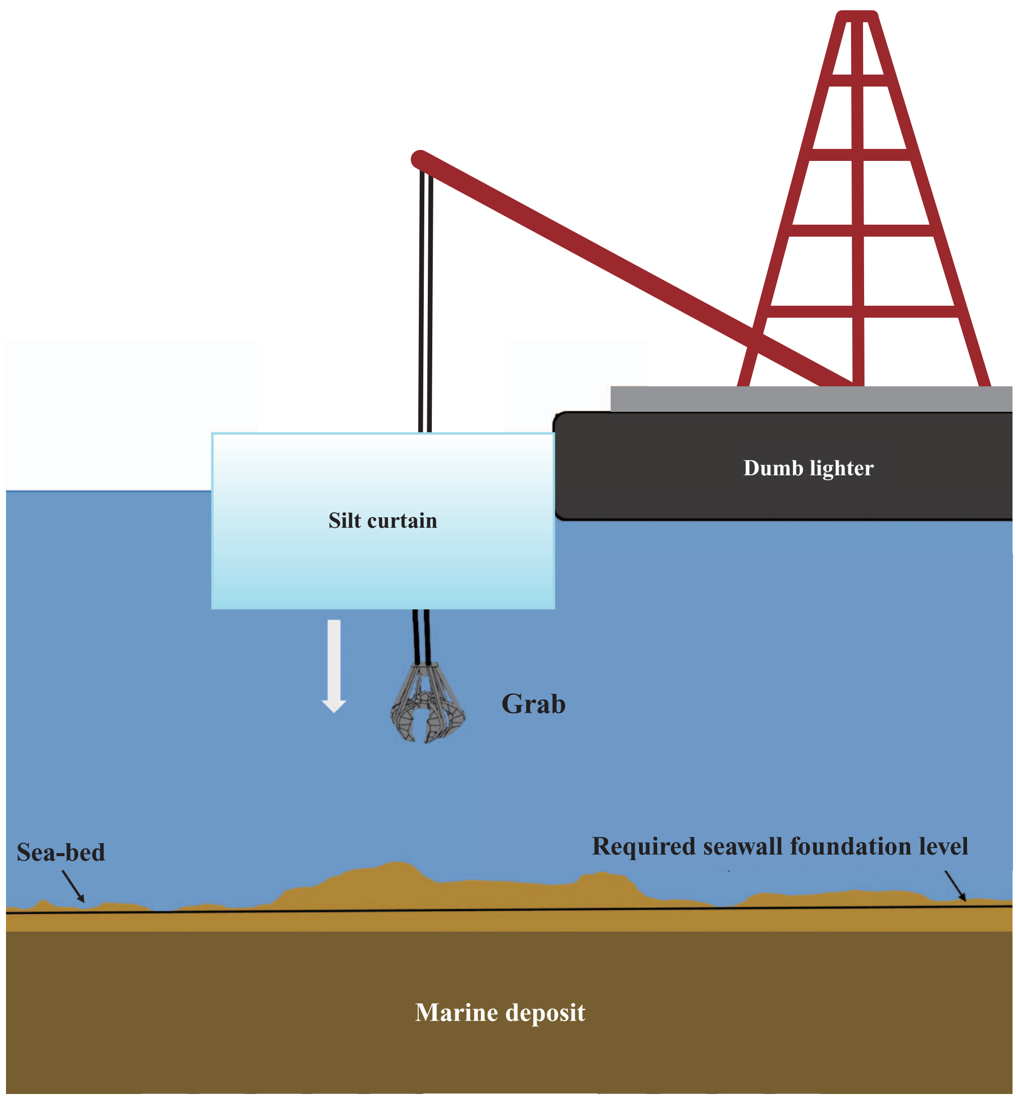
Sand blanket laying begins after completion of geotextile installation. The sand blanket layer is used as a drainage layer to separate the reclaimed fill material from the sea-bed and promote discharge of the pore water from the marine deposit that will flow from the band drains to be installed later. This is generally carried out by mobilising dumb lighters installed with a grab for sand placement. As the sand is placed in open water, some of the sand may be carried away by the current. In our special enclosed deposition method, the sand blanket material in the pelican barge of the sand blanket material provider will be placed on the as-laid geotextile via a conveyer with a tube attached to the end of the conveyer. The sand blanket material will go through a solid plated rectangular chute which is fixed amidships to one shipside side of the special purpose vessel. The solid plated rectangular chute is installed with a movable rectangular chute inside which has a special designed sieve plate welded on it. The sieve plate facilitates the sand blanket material to be evenly spread during the sand blanket material laying procedure. A hydraulic pump is installed on the special purpose vessel to help the deposition of sand blanket material as the material is placed from the pelican barge. Upon completion of laying in a particular location, the special purpose vessel and the pelican barge will be moved to the next position to repeat the above process. The following diagram illustrates the procedures for laying of sand blanket:



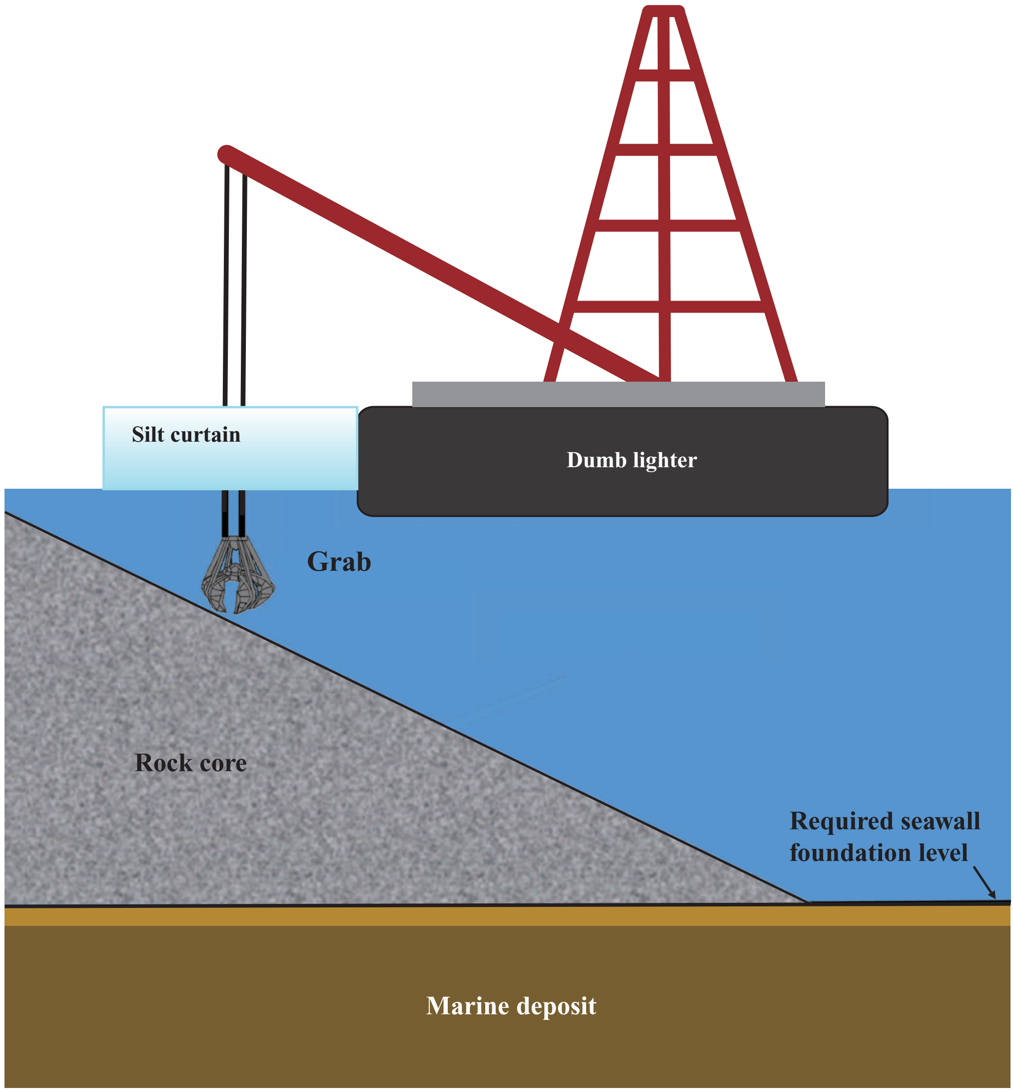
Construction of seawalls

Seawalls are constructed to stabilise the edge of the reclaimed land, protect the reclaimed land from sea erosion and enable berthing of vessels. The seawall may be vertical or sloping, or a combination of the two depending on the requirement. Before commencing construction of the seawall, an initial survey will be carried out to verify the existing sea-bed profile and if necessary, the sea-bed will be trimmed to the required seawall foundation level by a grab installed on a dumb lighter. Interim and final survey will be conducted to verify the final trimming profile and completeness of the trimming works prior to the commencement of filling operation. The trimmed material will be deposited to the designated disposal area. Upon satisfaction of the condition of the trimmed area, rock filling works will commence and rock core filling material will be deposited on to the sea-bed within a steel frame type silt curtain by a grab installed on the dumb lighter. During the rock filling works, chain sounding will be carried out from time to time to monitor the profile and level. Once the required seawall profile and level are formed, survey check will be conducted for approval by the customer. After completion of the rock filling works, filling of the underlayer and subsequently rock armour will be carried out using the same method as rock filling. For works above the sea level, rock material will be conveyed to the land by a dumb lighter for completing the seawall forming and slope trimming works. The following diagrams illustrate the major procedures for building of seawalls:

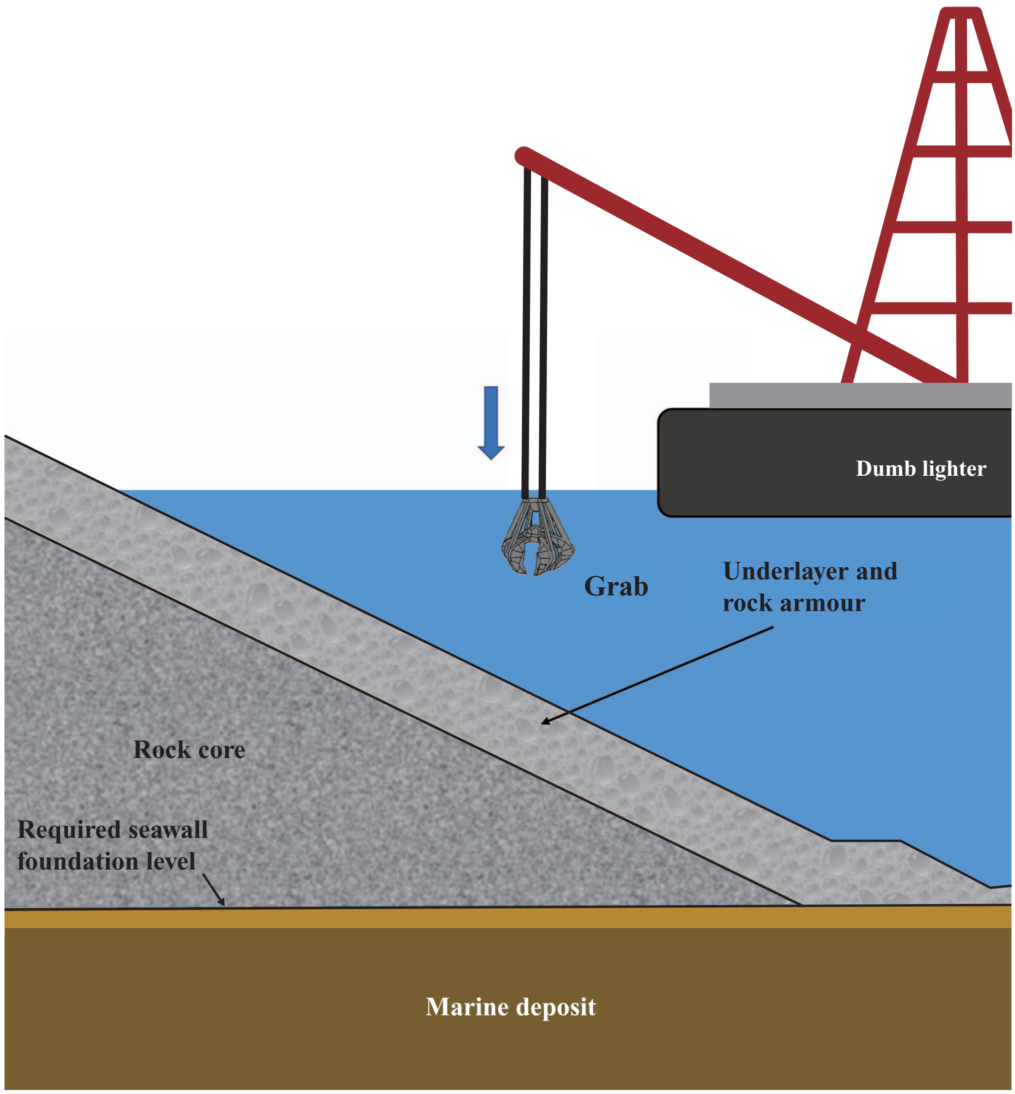
Step 1: The sea-bed will be trimmed to the required seawall foundation level by the grab.



Step 2: Rock core filling material will be deposited on to the sea-bed by the grab within a steel frame type silt curtain.



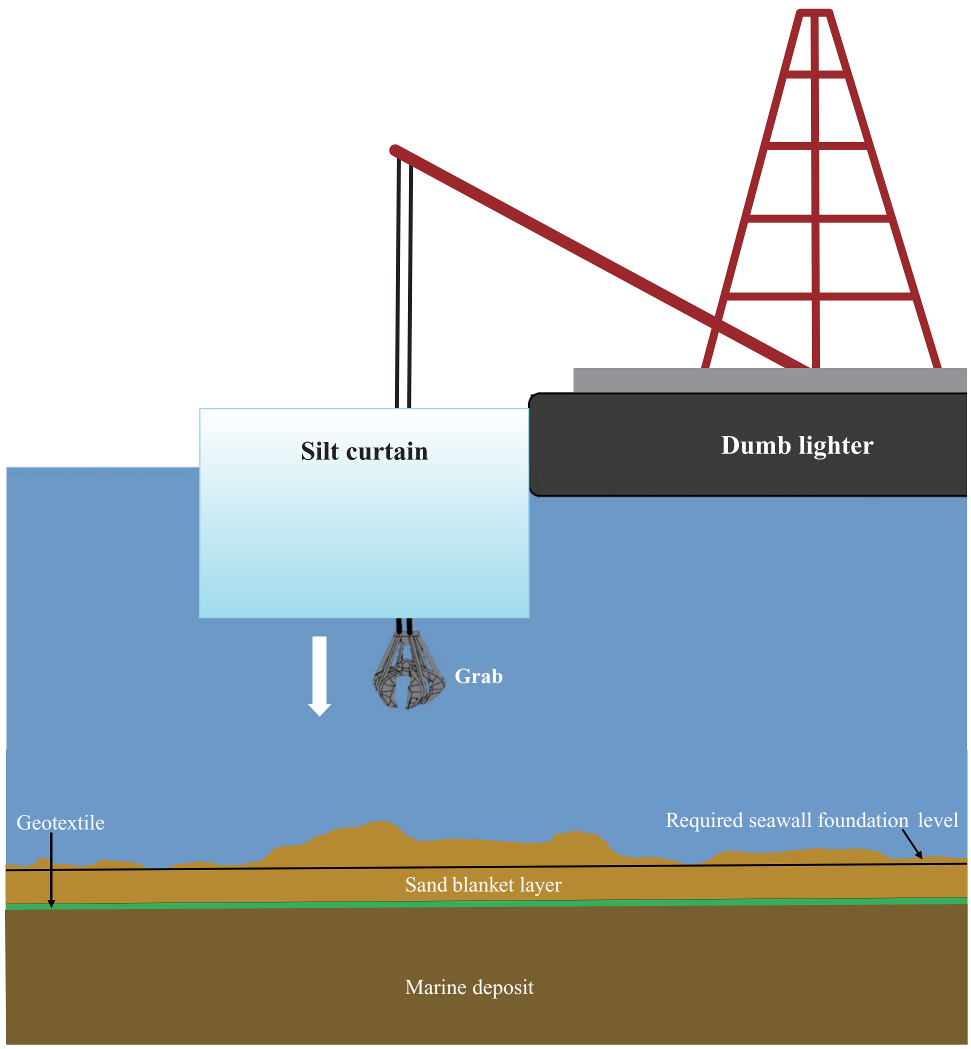
Step 3: Filling of underlayer and rock armour will be carried out using the same method as rock filling.



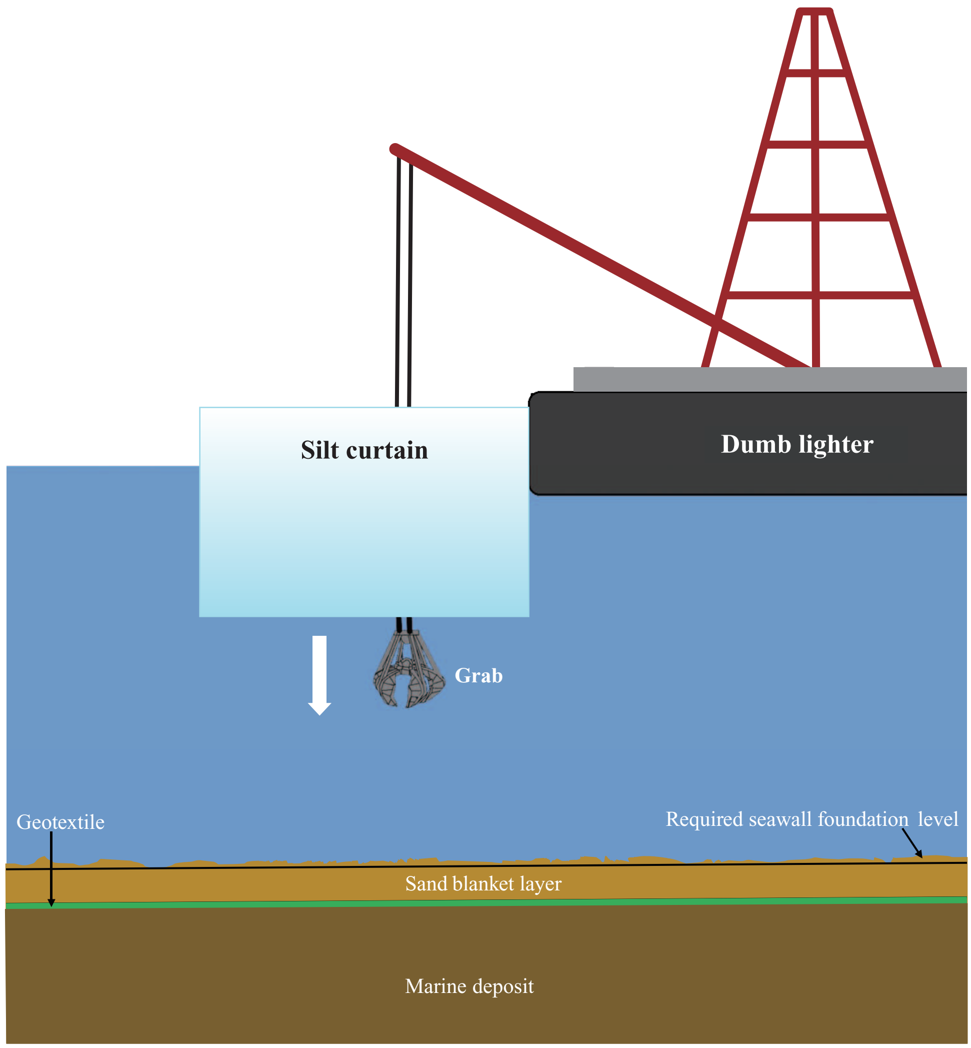
Regulation and deposition of sand blanket

Sand blanket regulating works are performed to regulate the sand blanket to a designated level and profile. A dumb lighter with a grab installed will be used to grab the sand blanket layer of the sea-bed to the designated level and profile. The surplus sand blanket material will be towed to a designated disposal area. During the process, a cage-type silt curtain will be deployed to prevent sand dispersion. The following diagrams illustrate the procedures for regulation and deposition of sand blanket:

Step 1: The grab will be deployed to grab the sand blanket layer to the designated level and profile.



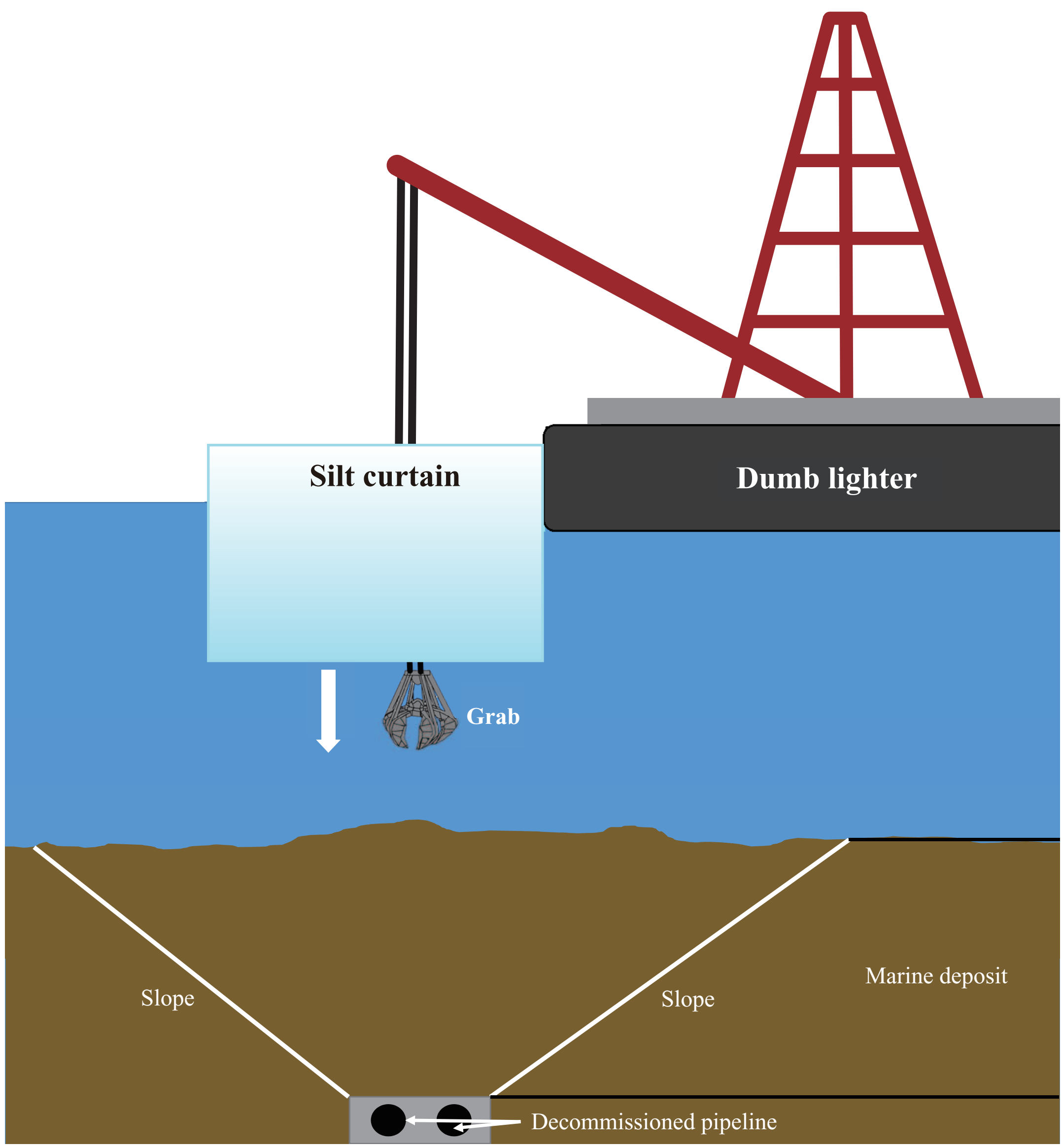
Step 2: After the sand blanket layer reached the required level and profile, the surplus sand blanket material removed by the grab will be towed to a designated disposal area.



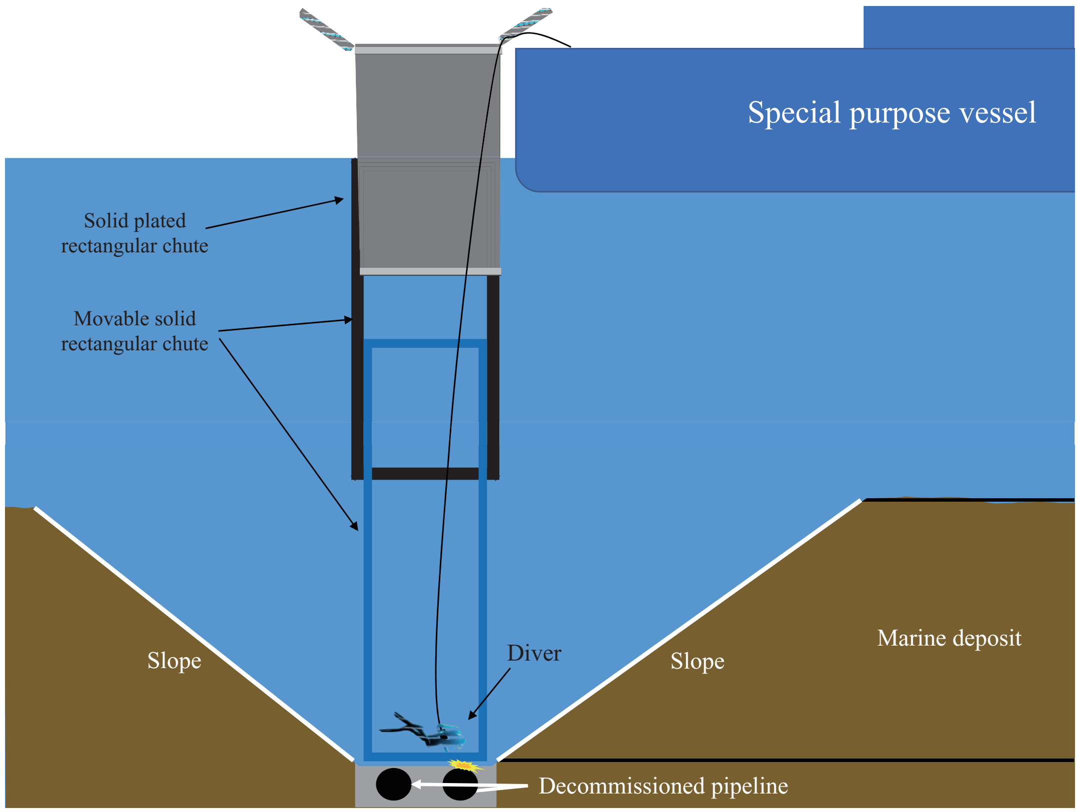
Submarine pipeline works

Submarine pipeline works involve installation, removal or remedial works of pipeline which is under the sea-bed level in general. In some occasions, the works required to be carried out may be on part of the pipeline which is above the sea level. For pipeline which is under the sea-bed, this generally involves excavation and deposition of the material above the pipeline underwater before any pipeline works can be carried out, and the backfilling works after performing the pipeline works to return the sea-bed to its original level. During the Track Record Period, the submarine pipeline works carried out by us involved remedial works and removal of decommissioned pipeline. The following diagrams illustrate the general procedures for submarine pipeline works of pipeline which is under the sea-bed.

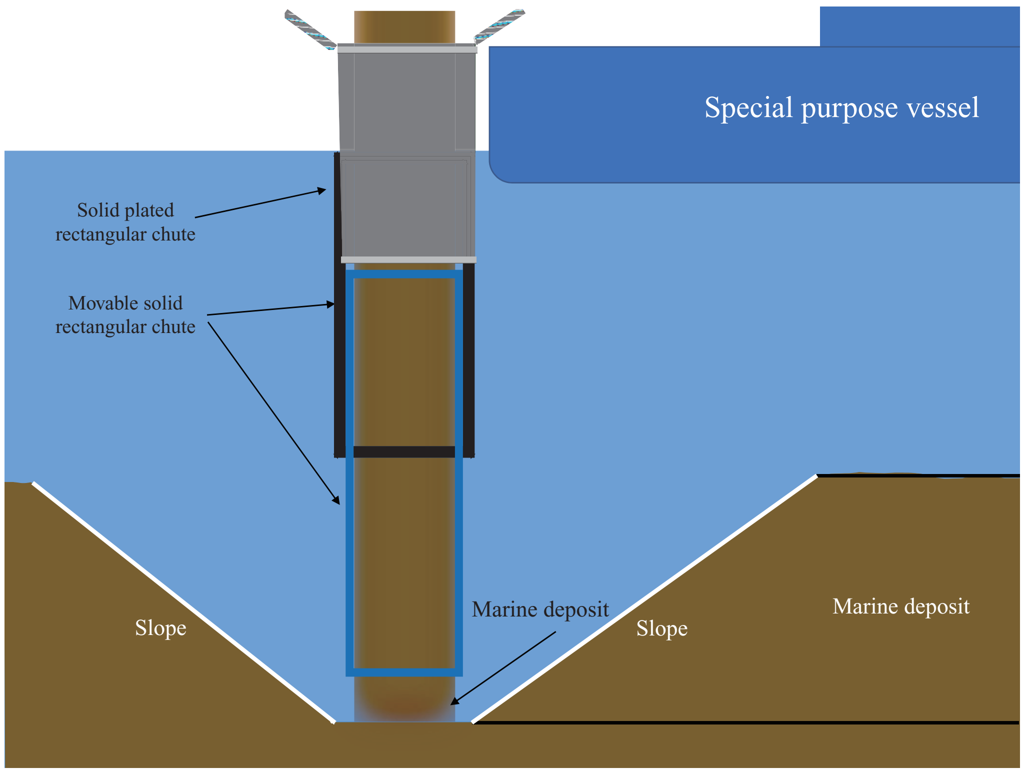
Step 1: The marine deposit surrounding the pipeline is removed by the grabbing method using a dumb lighter with a grab installed.



Step 2: The diver will carry out the required pipeline works inside a movable solid rectangular chute which acts as a solid silt curtain.



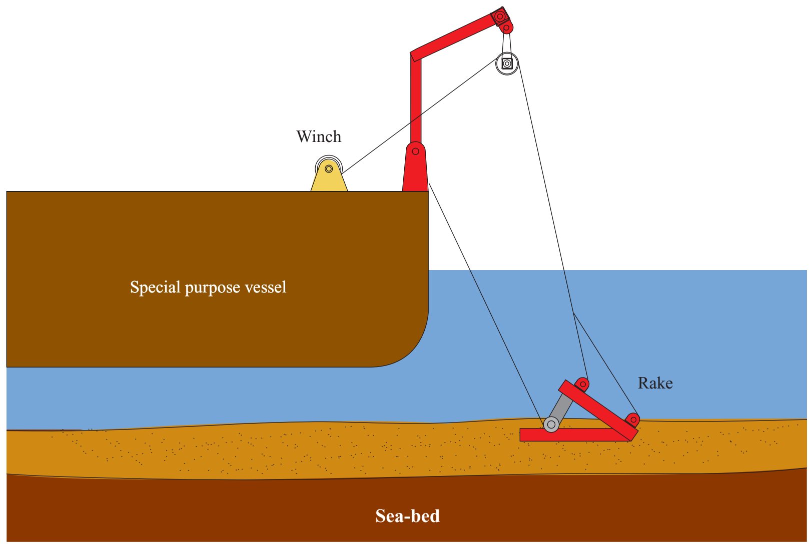
Step 3: After carrying out the required pipeline works, the marine deposit will be backfilled to the original sea-bed level.



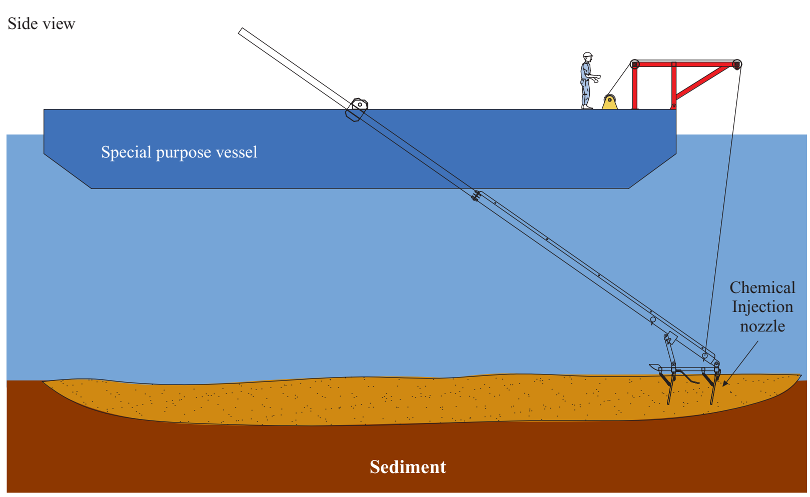
Sediment treatment works

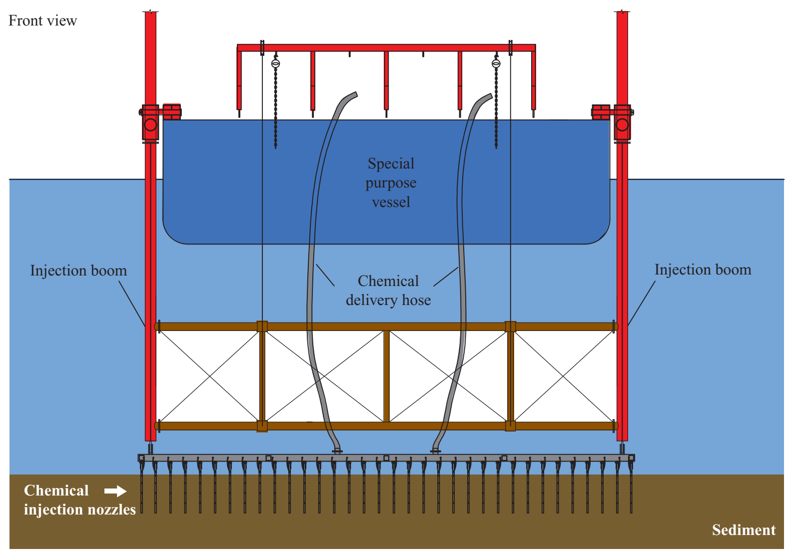
Sediment treatment works are performed to treat contaminated areas of the sea-bed. The sediment treatment area will be divided into sub-areas and the work process as described below will be carried out in each sub-area until the whole sediment treatment area is covered. The sea-bed will first be cleared using a rake attached to a special purpose vessel to clear the debris on the sea-bed to the maximum extent prior to the bioremediation works. The rake will be lowered to the maximum treatment depth and pulled along the edge of the sub-area. At the completion of each pass, the boom will be lifted off the sea-bed and above the water and the accumulated debris will be collected for off-site disposal. The process will be repeated until the entire sub-area has been raked. After clearing the debris on the sea-bed, bioremediation treatment will be performed. The bioremediation treatment involves injection of certain chemical amendment via the injection boom on the special purpose vessel to deliver the chemical amendment to the sediment at the required depth. The injection boom will be lowered to a specified depth within the sediment and the chemical amendment will be pumped into the sediment while the special purpose vessel is moved at a set velocity and towing the injecting boom along the desired course. The process will be repeated until the entire sub-area has been treated with the chemical amendment. The following diagrams illustrate the general procedures for sediment treatment works.

Step 1: The sea-bed will be cleared by lowering the rake to the maximum treatment depth and being pulled along. The debris will be collected and disposed.



Step 2: Chemical amendment will be pumped into the sediment through the injection boom which is placed at the specified depth within the sediment.





Other civil engineering works

Foundation works

Foundation works are substructure works performed to provide ground or base for construction structures to be built upon it, typically after site formation. The type of foundation construction depends on several factors, including the nature of the sub-soil, the type and depth of the loads to be installed, the layout of the construction structure, the conditions of the sites and economic considerations. Foundation works are generally classified as shallow foundation or deep foundation. Foundation works mainly include ELS works, piling works, footing foundation and pile cap construction. During the Track Record Period, the foundation works carried out by us mainly involved ELS works, pile cap construction and associated works. ELS works are generally used to construct a structural support to deep excavation to facilitate subsequent construction of footing foundation or pile caps for further infrastructure development. Steel pile walls are first inserted into the soil for the planned excavation, followed by excavation within the steel pile walls. Lateral support is added to keep the steel pile wall stable for deeper excavation. Pile cap construction and substructure construction will begin once excavation has been completed to the required depth. A pile cap is a reinforced concrete structure which usually forms part of the foundation of a building. The pile cap is built on top of a pile or a group of piles for distribution of the load from the super-structures to the piles beneath it and provides a structural surface for the construction of the columns and walls that it supports.

Site formation works

Site formation work aims to provide a safe and firm ground for foundation and building works. Commonly, site formation begins with land levelling and slope, followed by forming land to the required orientation. If needed, retention wall will be constructed for build-ups such as roadways, drainage and other related infrastructure or buildings.

Roads and drainage works

Road works generally refer to construction, modification and associated maintenance works of different types of roads, namely expressways, trunk roads, primary distributor roads, district distributor roads and local distributor roads and other structural works such as footbridge while drainage works include the construction and associated maintenance works of storm water facilities, sewage treatment facilities and utilities facilities.

Vessel chartering services

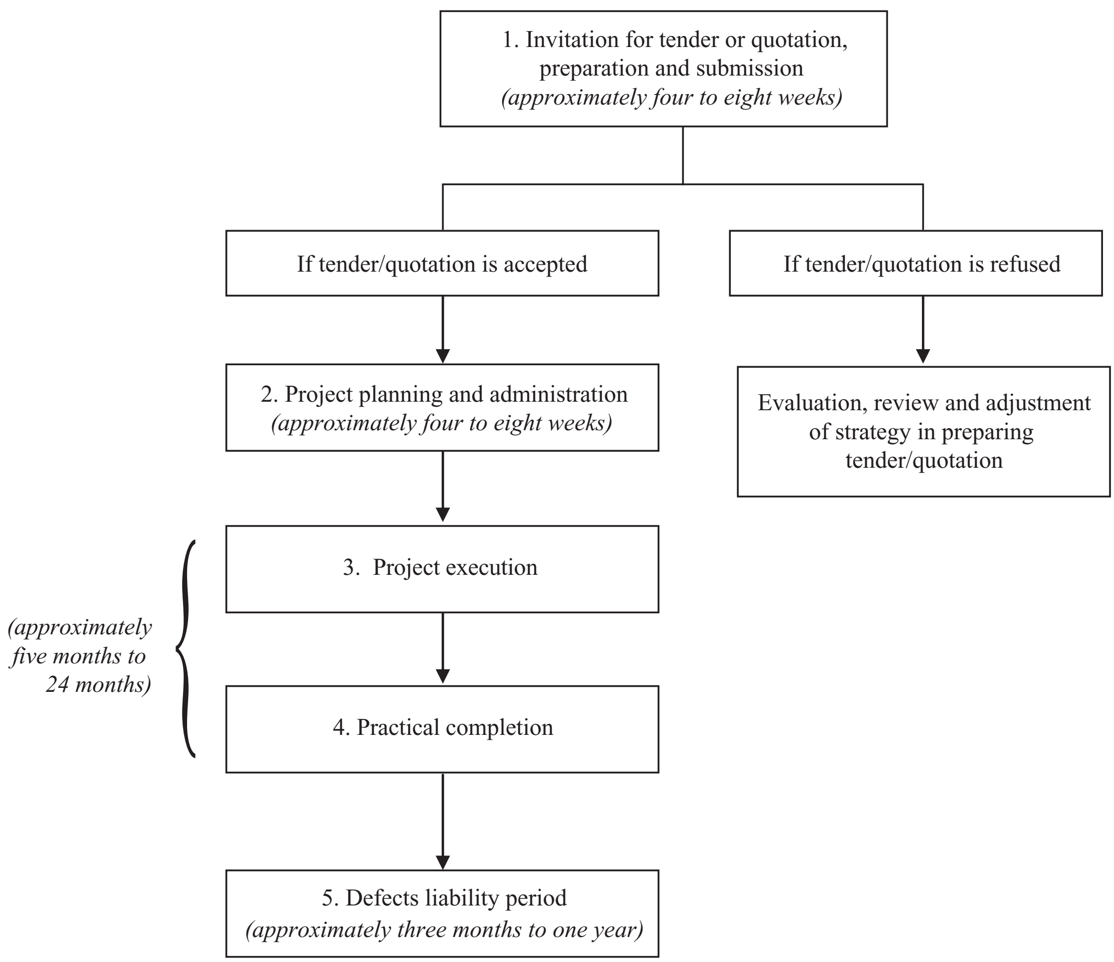
In addition to the provision of marine construction works and other civil engineering works, we also generated revenue from our vessel chartering services which involved chartering of our self-owned vessels and sub-chartering of vessels from our suppliers to our customers. During the Track Record Period, our vessel chartering arrangements primarily involved sub-chartering of our suppliers' vessels to our customers. For details, please refer to the paragraph headed "Our vessel chartering arrangements" in this section. According to the Ipsos Report, sub-chartering of vessels is not uncommon in the vessel chartering industry as a marine contractor may obtain discount when chartering vessels in bulk from their vessels suppliers and hence in turn may offer a competitive price for sub-chartering to their customers. Our vessel chartering services generally include chartering of vessels which are equipped with navigation equipment such as AIS and GPS, and real-time monitoring system such as HAMU. Upon request of our customers, (i) we may also provide vessel crew for the operation and management of our vessels; or (ii) for vessels sub-chartered by us, the vessel crew may be provided by our suppliers, as the case may be.

During the Track Record Period, our vessel chartering services are generally under time charter arrangements for a predetermined charter period, and the actual charter period for our vessel ranged from approximately two months to 28 months. The types of vessels we chartered to our customers during the Track Record Period included dumb lighter, tug boat, passenger boat, work boat, anchor boat, special purpose vessels and various type of barge. According to the Ipsos Report, the length of charter period in the market can range from a day, a week, a month or up to a year, and generally varies according to the requirements of the customers, the scale and schedule of the projects that the customers are involved in and the types of vessel required.

BUSINESS MODEL AND OUR OPERATION

Marine construction works or other civil engineering works

The following flow chart illustrates the key work-flow of our typical marine construction projects or other civil engineering projects:



Note: The timeframe for each project may differ depending on various factors including the scale, complexity, nature of works, presence of variation orders and other unforeseeable circumstances.

1. Invitation for tender or quotation, preparation and submission

Our customers, who are generally main contractors of marine construction projects or other civil engineering projects would usually invite us to submit a tender or quotation for a potential project. We are usually provided with the specifications, site conditions, design drawings and other relevant information of the project for preparation of the tender or quotation. For our direct tendering of projects of the Airport Authority, the invitation to tender will be in the form of an open tender published on the website of HKIA.

Our tendering team, typically consists of a project director and a quantity surveyor, will conduct a preliminary review and assessment of a potential project and is responsible for preparing the tender or quotation accordingly if the potential project is feasible. The price in our tender or quotation is determined on a project-by-project basis, taking into account factors including: (i) the specifications, scale and complexity of the potential project; (ii) the site location and conditions; (iii) the price quotations from our suppliers and subcontractors, if required; (iv) the work schedule and duration of the potential project; (v) the availability of resources including vessels, site equipment, construction materials and manpower required; and (vi) our previous working relationship with the customer. Our project manager will conduct a site visit to make a more accurate assessment of the site conditions to consider the most appropriate methods for performing the works for a particular site, the type of vessels and/or site equipment to be deployed for such works and assess the risks involved in such works.

Our price is generally based on our estimated costs to be incurred for the potential project plus a mark-up margin. Our management team is responsible for reviewing the tender documents or quotations and considering the abovementioned factors to enable them to formulate a competitive and profitable bid. Once our management team concludes that a potential project is feasible and profitable based on the preliminary review and assessment, we will proceed to prepare and submit the tender or quotation to our customer. Depending on the complexity and scale of the project, it may take us approximately four to eight weeks to prepare and submit our tender or quotation to our customers after we receive their invitation.

Tenders or quotations submitted for our projects

The following table sets out the number of tenders or quotations submitted for marine construction and other civil engineering projects, the number of successful tenders/quotations and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	**2018**	**2019**	**2020** *(Note 2)*	*(Note 3)*
Number of tenders/quotations submitted	8	7	22	35	12
Number of successful tenders/quotations	7	5	11	12	1
Success rate (%) *(Note 1)*	87.5	71.4	50.0	34.3	8.3

Notes:

1. The number of successful tenders/quotations will fall into the year/period in which the corresponding tender/quotation was submitted.

2. Out of the total 35 tenders/quotations submitted during the year ended 31 May 2020, 21 tenders/quotations were unsuccessful, and two tenders/quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

3. Out of the total 12 tenders/quotations submitted since 1 June 2020 and up to the Latest Practicable Date, three tenders/quotations were unsuccessful, and eight tenders/quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

For the years ended 31 May 2017 and 2018, in line with the rising gross output value in the reclamation works industry in Hong Kong from 2016 to 2018 attributed by the 3RS project, we primarily focused our effort on tendering/providing quotations for marine construction projects. Our Directors believe that with our expertise in marine construction works and our special enclosed deposition method for reclamation works, we had an overall higher tender/quotation success rate for our tenders/quotations submitted.

To implement our business strategy of maintaining a stable profile of other civil engineering projects in view of the future market development of the civil engineering industry in Hong Kong according to the Ipsos Report, we focused our efforts on providing a price competitive tender/quotation for other civil engineering projects with a view to build up our project credentials and track record, as a result we were awarded with all of the four tenders/quotations submitted for other civil engineering projects. In anticipation of a diversion of manpower and resources for the potential other civil engineering projects, our Directors strategically provided price competitive quotations primarily for marine construction projects with higher initial contract sums. As such, 11 out of 18 tenders/quotations for marine construction projects were unsuccessful, and thus the tender/quotation success rate decreased for the year ended 31 May 2019.

During the year ended 31 May 2020, we submitted tenders/quotations for nine other civil engineering projects, out of which four projects considered as sizable by our Directors with tender sum ranging from approximately HK$26.8 million to HK$48.8 million, were awarded to us, and five tenders/quotations were unsuccessful. To better utilise our limited resources and capacity, we adopted a strategic approach in pricing of our tenders/quotations to control our number of projects, maintain a good relationship with our customers and maintain a certain profitability level. Besides, during the same year, tenders/quotations for 26 marine construction projects (including three main contractor projects) were submitted, out of which eight projects were awarded, 16 tenders/quotations were unsuccessful (including three main contractor projects) and results of two projects were pending as at the Latest Practicable Date. Our Directors consider that our track record for main contractor marine constructions works at the material time may not be the most competitive in general among our competitors, and thus we were not awarded with the three main contractor projects. Therefore, the overall tender/quotation success rate decreased to approximately 34.3% during the year.

For the period between 1 June 2020 and up to the Latest Practicable Date, we submitted 12 tenders/quotations and one project was awarded to us, while eight tenders/quotations were still pending results as at the Latest Practicable Date. Out of the three unsuccessful tenders/quotations, two of them were main contractor projects to which our Directors consider that was due to our then track record may not be the most competitive in general among our competitors. On this basis, the tender/quotation success rate decreased to approximately 8.3% for the period between 1 June 2020 and up to the Latest Practicable Date.

The estimated tender sum for tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitations to tender and to be submitted by us amounted to approximately HK$693.7 million.

After receiving our tender/quotation, our customer may issue enquiries to us to clarify with us the particulars of our submitted tender/quotation and negotiate the contract terms. For details of the major contract terms with our customers, please refer to the paragraph headed "Our customers" in this section. It generally takes around four to eight weeks for our customers to consider our tender/quotation and inform us the results of our tender/quotation.

For unsuccessful tenders/quotations, we will analyse the underlying reasons for the unsuccessful tenders/quotations and evaluate the need for adjustment to our pricing strategy and/or revising our planning and method of working for future tenders/quotations.

2. Project planning and administration

We generally receive a letter of award from our customer to confirm our engagement after our tender/quotation is accepted, and we generally enter into a formal agreement with our customer once the contract terms are finalised. Upon confirmation of our engagement, we commence the implementation of the project by: (i) forming a project management team; (ii) arranging with our suppliers for procurement of construction materials; (iii) planning and arranging the required vessels and/or site equipment; and (iv) negotiating and finalising any subcontracting arrangements, where necessary.

(i) Formation of project management team

Depending on the type and scale of the project, we generally assign team members of different capability and experience to form the project management team to execute and supervise the overall project works. Our project management team is generally made up of a project manager, a site agent, a quantity surveyor and a foreman. The general responsibilities of our project management team include (i) collaborating with our technical team which is responsible for reviewing and improving the overall works designs based on the preliminary design drawings and project specifications received from our customers; (ii) preparing method statements after studying the results of the land survey or marine survey (as the case may be) and ground detection and investigation conducted by external consultants; (iii) formulating detailed work programmes; (iv) liaising with our suppliers for procurement of materials, chartering of vessels and/or leasing of site equipment if required; (v) engaging and delegating works to our subcontractors if required; (vi) coordinating with our customers, suppliers and subcontractors (if any) during the project period to ensure that the projects are executed according to the project specifications and completed according to the work schedules; (vii) managing our staff and our subcontractors' staff to ensure a smooth operation and timely completion of each project; and (viii) ensuring the work quality in our projects.

Our project manager is responsible for the overall management of our project and keeping track with the progress of our project on an on-going basis to ensure compliance with the applicable statutory and regulatory requirements. Our site agent is responsible for overseeing the materials on-site and ensuring that the works performed by our staff and our subcontractors meet the technical requirements. Our foreman is responsible for giving instruction and supervising the work of our staff and our subcontractors to ensure the quality of our completed works, preparing the site's daily record which records the number of workers at each project site for our project manager's review and record keeping, monitoring the progress of work and communicating with our project manager regarding the project's operation in general. For our marine construction work, the measurement of the works carried out by us will be performed by a third party quantity surveyor which is subsequently approved by our customer, whereas for our other civil engineering works, our own quantity surveyor will be responsible for performing the measurement on the progress of works carried out by us.

Our project management team will oversee the project site as a whole and keep our executive Directors abreast of the development and progress of each project such that any problems which may be identified in a project from time to time can be resolved in a timely manner.

(ii) Procurement of construction materials

The key construction materials that we purchase include sand blanket material, geotextile material, concrete, steel and diesel fuel. In accordance with our customers' requirements and project specifications, our site agent will determine the quantity, delivery schedule, specifications and type of construction materials to be purchased on a project-by-project basis. We select the relevant suppliers from our approved suppliers list to purchase the required construction materials as and when they are needed. In some cases, our customers may nominate a specified supplier for certain types of construction material to be used in a project. Where our customers purchase such specified materials or other construction materials on our behalf in the relevant projects, this may amount to contra-charge between us and our customers. For details, please refer to the paragraph headed "Our customers – Contra-charge arrangements with our customers" in this section. All construction materials procured by our Group are inspected before use to ensure compliance with the contractual specifications and relevant statutory requirements, and construction materials such as sand and steel will be tested by an independent third party, where required.

(iii) Planning and arrangement of the required vessels and/or site equipment

Subject to the availability of our vessels and the types of vessels required for our marine construction projects, we may need to charter vessels from our suppliers. From time to time, we may need to use vessels specifically designed to carry out some of our marine construction works and alterations may be made to the required vessels before the commencement of works. For alteration(s) to a vessel, an application for such alteration plan must be submitted to the Marine Department for approval. The approval process generally takes around four to eight weeks, depending on the alterations proposed to be made.

The major types of site equipment used for our marine construction works include navigation equipment such as AIS and GPS which are used for keeping track of the progress of the reclamation works, and HAMU which is used for monitoring the highest altitude of working site equipment on vessels near the HKIA. For our other civil engineering projects, the major types of site equipment used by us during the Track Record Period were excavator and hydraulic drill.

We generally obtain quotations from our suppliers at an early stage of a project for chartering the required vessels and/or leasing the required site equipment to factor in such costs in our quotations/tenders. Our site agent who is responsible for managing the required vessels and/or site equipment for each project will review the specification of each project and determine the types of vessel and/or site equipment required, the time period when each type of vessel and/or site equipment will be deployed for each project and the availability and the logistics arrangement for the delivery of the required vessel and/or site equipment. For details of our self-owned vessels and site equipment, please refer to the paragraph headed "Our vessels and site equipment" in this section.

(iv) Negotiating and/or finalising subcontracting arrangements

Subject to our capability, resources level and the type of works involved at the relevant time, we may subcontract part of our works or procedures, such as general civil works, laying of geotextile material and surveying works to our subcontractors. For details on our subcontracting arrangements, please refer to the paragraph headed "Our suppliers – Subcontracting" in this section.

3. Project execution

(i) Project management

In a typical project undertaken by us as a subcontractor, our customer, being the main contractor of the project will ultimately be responsible for the overall project planning and implementation. Leveraging on the extensive marine construction works and other civil engineering works experience and project management experience of our executive Director, Mr. Sherman Heung, and members of our senior management, we, as a subcontractor in our projects may assist our customer by taking up the project management and supervision role in a project to facilitate the overall management of the project by (i) implementing the planning, supervision and co-ordination of the works; (ii) improvising the methods of construction; and (iii) keeping track of the sequence and timeframe for performance of the works throughout the project implementation process.

(ii) Site monitoring and quality inspection

Our project works are executed by our direct labour and/or our subcontractors under the supervision of our project management team and representatives of our customers, where relevant. To ensure each project is executed in an efficient and smooth manner, we take a proactive approach to coordinate and supervise the progress of our projects. Our project manager visits each project site regularly to oversee and resolve any issues identified by our project management team and/or site staff during operation. Our project management team also communicates frequently with our customers, suppliers and subcontractors to ensure each project is executed according to the project specifications and time schedule. The work progress of the project would be inspected by an independent quantity surveyor approved by our customers for our marine construction projects or by our quantity surveyor for our other civil engineering projects before we prepare the payment application to our customers.

(iii) Customer inspection and acceptance, and progress payment

During the course of execution of our projects, our customers may inspect our work done from time to time. We generally do not receive any prepayment from our customers after being awarded with the project unless such terms are negotiated and agreed with our customers. In some of our projects where new site equipment are required to be installed on our vessels, our customer will make prepayment to us and the amount will be deducted from the subsequent payment receivables each month. The revenue we recognised from our projects is commensurate with the values of the works completed by us. In accordance with the terms of the contracts with our customers, we are generally required to submit our payment application which sets out the value of our work done under the subcontract together with any value of works attributable to variation orders, to our customers on a monthly basis. Our customers will assess our payment application and certify the amount we are entitled to be paid for the relevant month by issuing a payment certificate to us. In general, it takes around two to three weeks to receive the payment certificate after submission of our payment application. Our customers will usually retain up to 2.5% to 5.0% of each interim payment and up to a maximum limit of 2.5% to 5.0% of the contract sum as retention money for the project. A similar payment arrangement is made with our subcontractors.

(iv) Variation orders

From time to time, our customers may instruct us to perform variation or additional works which is outside the initial scope of our work under the contract (the "**variation orders**") and the value of such variation orders has to be agreed between our customers and us. The work is generally priced in accordance with the rate or with reference to the rates and prices for the like or analogous work as set out in the contract. If there is no pre-agreed rate prescribed in the contract, we will provide a quotation to our customer and the processing mechanism for such works under the variation order is similar to providing a quotation for our projects. The principal contract terms and settlement of variation orders are generally in line with the terms of the contract. For the years ended 31 May 2017, 2018, 2019 and 2020, we recognised revenue of approximately HK$26.1 million, HK$37.7 million, HK$77.1 million and HK$9.7 million from variation orders, respectively, representing approximately 12.1%, 14.0%, 25.9% and 3.1% of our total revenue for the corresponding period.

(v) Cost control and management

Our contracts are generally fixed sum contracts or re-measurement contracts whereby the unit prices stated in our bills of quantities are fixed without any price adjustment clause. As such, we have established and implemented cost control and management measures to maintain our profitability.

Our project director is responsible for preparing a budget plan for each project. This will be reviewed and monitored against the actual incurred costs from time to time to determine cost overruns, if any. Our executive Directors will be informed of any material deviations from the budget plan such that appropriate measures may be taken promptly if necessary.

Further, we obtain quotations and negotiate the contractual terms with our suppliers and subcontractors at an early stage of a project to fix and control, to the extent possible, the cost of the project and ensure a stable source of supply of materials and manpower to minimise cost fluctuations of our projects.

We may be subjected to liquidated damages for project delays where time extension is not granted by our customers. The damage is generally calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as provided under the contract for the period which the works remain incomplete. Our project manager will closely monitor the progress of our projects and have monthly progress meetings with our executive Directors, senior management and our customers to mitigate such risk. If a project falls behind the stipulated construction schedule, we will take prompt and necessary remedial actions, such as allocating more manpower, deploying more vessels and/or site equipment to the respective construction site, and/or reviewing the method adopted for such project to catch up and rectify the delay.

4. Practical completion of works

In general, we regard our works under the contract as being practically completed (excluding the defects liability period) once we complete all the contract works thereunder. An independent quantity surveyor agreed by us and our customer will conduct a survey to confirm the completion of works after we remove all our vessel(s) and/or site equipment and labour from the work sites such that our customer and other subcontractors can commence or continue with their work according to the work programme. Our customer will then prepare and agree on the final account with us. The final account will set out the final outstanding balance due to us and is generally issued to us approximately three to 12 months after practical completion of works.

To ensure due completion of our contract works, our customers are entitled to withhold approximately 2.5% to 5.0% of each progress payment due to us, and in general up to a maximum limit of 2.5% to 5.0% of the contract sum can be withheld as retention monies.

The retention monies are generally released to us in two instalments, and the retention period may vary depending on each contract. The first instalment of the retention monies, typically representing half of the amount withheld, is generally released upon practical completion of works, or three months after the practical completion of our contract works, while the second instalment, typically representing the remaining balance of the amount withheld, is generally released within three to 12 months after practical completion of our contract works, or completion of the main contract or after the defects liability period. As at 31 May 2020, the retention monies withheld by our customers for our completed works included in contract assets amounted to approximately HK$10.4 million. There has been no forfeiture of retention money which comprised retention receivables, during the Track Record Period.

Similar to the aforesaid arrangement between our customers and us, we generally impose back-to-back terms with our subcontractors in relation to retention monies to guarantee their due completion of the subcontract works. As at 31 May 2020, the retention monies withheld by us for the works completed by our subcontractors included in our retention payables amounted to approximately HK$8.2 million.

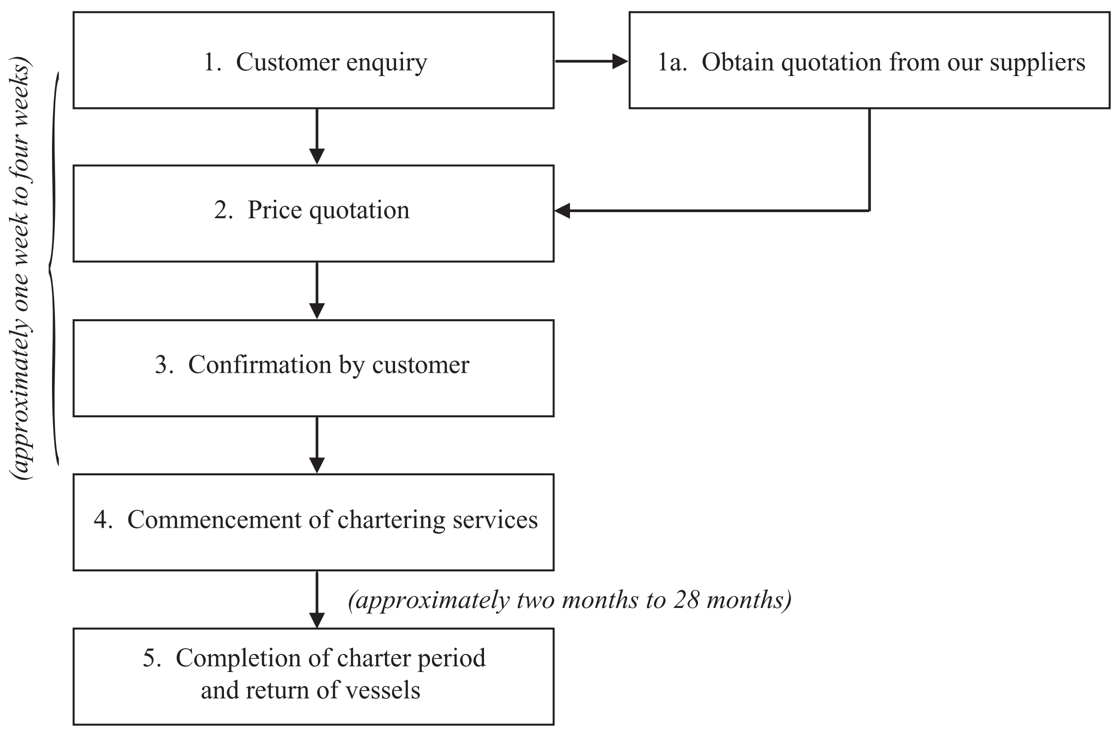
During the Track Record Period and up to the Latest Practicable Date, (i) we did not encounter any material delay in our projects; (ii) there was no material liquidated damages claims against us by our customers; and (iii) we did not make any material liquidated damages claims against our subcontractors and thus, there was no revenue arising from liquidated damages during the Track Record Period and up to the Latest Practicable Date.

5. Defects liability period

In general, we are subject to a defects liability period during which we will remain responsible for remedying any defects or imperfections discovered in relation to the works completed by us. Our defects liability period will generally be (i) a specified period after completion of our contract works; or (ii) a period until the expiry of the defects liability period of our customers as the main contractors, depending on the terms and conditions of the contracts. The defects liability period of our projects ranged from approximately three to 12 months. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims from our customers in relation to defects or imperfections discovered during the defects liability period.

Vessel chartering services

The following flow chart illustrates the key work-flow of our vessel chartering services:



Note: The charter period for each vessel chartering arrangement may differ depending on our customers' requirements.

1. *Customer enquiry*

Our customers generally approach us by phone or email for quotation of the price of our vessel chartering services. In general, our customers will provide us with information such as the number and type of vessel(s) required, the estimated charter period, the commencement date and whether the services of any crew member are required during the charter period. During the Track Record Period, we provided vessel chartering services by chartering our self-owned vessels, or we sub-chartered vessel from our suppliers to our customers depending on the availability of our vessels and vessel crew. If required by our customers, our vessel chartering services will include vessel crew for operation and management of the vessels. The vessel crew provided as part of our vessel chartering services remain our employees or the employees of our suppliers (as the case may be) during the charter period. Before we provide our quotation to our customers, we will evaluate whether such arrangement would impede our Group's ability to complete our ongoing projects or affect our capability to compete for any potential projects after considering the following factors: (i) the length of the charter period; (ii) the pricing of the chartering service; and (iii) the stability of the revenue from the vessel chartering services. If necessary, we will obtain quotations from our vessel suppliers for the required vessel(s) and vessel crew (if required by our customers) for the charter period to ensure that we can provide the required services to our customers and that the price we quote to our customers is competitive.

2. *Price quotation*

We determine our chartering fees on a case-by-case basis according to various factors including (i) the purchase cost of the vessel(s), if applicable; (ii) the capacity and type of vessel(s); (iii) length of the charter period; (iv) site condition; (v) credibility of the customer; and (vi) the cost associated with vessel chartering from our suppliers, if required. We will provide a quotation to our customer specifying the number and type and of each vessel(s), service time, the charter period, the commencement date and the unit price for our customer's consideration.

3. *Confirmation by customer*

Upon receipt of our quotation, our customer may negotiate the price and terms of the vessel chartering arrangement with our Group. Our customer generally confirms our engagement by (i) confirming the quotation; (ii) entering into an agreement with our Group; (iii) issuing a work order; or (iv) issuing a plant hire order to confirm the engagement. In cases where sub-chartering arrangements are required, our Group will enter into an agreement with our vessel suppliers after inspection of the required vessel(s).

4. *Commencement of chartering services*

Once our engagement is confirmed, we direct the chartered vessel(s) to a site designated by our customers. Upon delivery, our customers would be responsible for the chartered vessel(s) subject to the terms of our agreement.

During the charter period, our customers will be responsible for arranging for alteration to the vessel(s) (if required) and the costs associated with such alteration to suit their needs and the application for approval for plan from the Marine Department will be made by our customers with our assistance. They will also bear the cost of fuel (as agreed), port charges (if any) and direct the destination of the vessels. The charter period of our completed vessel chartering arrangements during the Track Record Period and up to the Latest Practicable Date ranged from two months to 28 months. In general, throughout the charter period, our customers will be responsible for the operation and management of the vessel(s) and we will be responsible for any repair and maintenance of the vessel(s) caused by our vessel crew or due to general wear and tear as required during such period. If any chartered vessel is out of service during the charter period, we are responsible for arranging a replacement with the required specifications at the additional cost of our customer.

In general, we keep an internal record of the vessels used for each chartering arrangement and we issue an invoice to our customers at the end of each month. We generally provide our customers with a credit period of 30 to 45 days from the date of invoice.

5. Completion of the charter period and return of vessel(s)

At the end of the charter period, our customers will be responsible for the removal/ reversal of alteration to the vessel(s) (if any) before returning the vessel(s) to us. The vessel(s) will be returned to our designated location for inspection. If our inspection reveals that any vessel(s) is damaged, we will charge our customer for the cost of repair unless the customer is found not liable for the damage.

We do not actively pursue business opportunities in vessel chartering and our vessel chartering services are conducted only as a complementary service to maintain relationship with and provide flexibility to our customers and to increase utilisation of our vessels which were not used in our marine construction projects. For the years ended 31 May 2017, 2018, 2019 and 2020, our Group derived revenue from our vessel chartering services of approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and HK$3.6 million, respectively.

OUR MARINE CONSTRUCTION AND OTHER CIVIL ENGINEERING PROJECTS

During the Track Record Period and up to the Latest Practicable Date, we have completed 27 projects involving marine construction and/or other civil engineering works. The following table sets out the details of our projects completed during the Track Record Period and up to the Latest Practicable Date:

Completed projects

								Revenue recognised					
								for the year ended 31 May					
No.	Project code (Note 5)	Site location	Sector	Nature and scope of works	Commencement date (Note 1)	Practical completion date (Note 2)	Initial contract sum (Note 3)	2017	2018	2019	2020	during the Track Record Period (Note 4)	Revenue to be recognised subsequent to the Track Record Period
							HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
1.	003	Sha Chau Island	Public	Other civil engineering works – roads and drainage works	August 2016	March 2018	2,882	11,402	4,622	–	–	16,024	–
2.	005	3RS	Public	Marine construction works – reclamation works	August 2016	July 2018	16,000	22,999	11,297	4,810	–	39,106	–
3.	006	3RS	Public	Marine construction works – reclamation works	September 2016	May 2017	53,021	55,142	–	–	–	55,142	828
4.	007	3RS	Public	Marine construction works – reclamation works	October 2016	April 2017	34,311	16,403	–	–	–	16,403	–
5.	008	3RS	Public	Marine construction works – reclamation works	November 2016	March 2017	57,363	40,528	–	–	–	40,528	–
6.	011	3RS	Public	Marine construction works – reclamation works	February 2017	June 2017	24,659	29,598	129	–	–	29,727	–
7.	012	3RS	Public	Marine construction works – reclamation works	May 2017	April 2018	2,560	550	7,067	–	–	7,617	–
8.	014	3RS	Public	Marine construction works – reclamation works	April 2017	May 2018	86,400	7,260	91,185	–	–	98,445	–
9.	015	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	July 2017	November 2018	22,330	–	24,102	4,720	–	28,822	–
10.	016	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	September 2017	February 2018	1,560	–	2,679	–	–	2,679	–
11.	017	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	January 2018	April 2019	25,300	–	9,605	33,289	–	42,894	–
12.	018	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	February 2018	August 2018	14,885	–	36,642	24,625	–	61,267	–
13.	020	Kai Tak	Private	Other civil engineering works – foundation works	August 2018	May 2019	67,707	–	–	98,261	321	98,582	–
14.	021	3RS	Public	Marine construction works – submarine pipeline works	September 2018	June 2019	32,680	–	–	56,498	–	56,498	2,072

No.	Project code (Note 5)	Site location	Sector	Nature and scope of works	Commencement date (Note 1)	Practical completion date (Note 2)	Initial contract sum (Note 3) HK$'000	Revenue recognised for the year ended 31 May 2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	Revenue recognised during the Track Record Period (Note 4) HK$'000	Revenue to be recognised subsequent to the Track Record Period
15.	027	Sha Chau Island	Public	Marine construction works – submarine pipeline works	September 2018	June 2019	32,071	–	–	35,602	2,363	37,965	–
16.	029	3RS	Public	Marine construction works – reclamation works	February 2019	September 2019	6,450	–	–	8,265	8,516	16,781	–
17.	030	Sha Chau Island	Public	Marine construction works – reclamation works	September 2018	March 2019	5,678	–	–	4,811	–	4,811	–
18.	031	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	December 2018	April 2019	2,340	–	–	2,640	–	2,640	–
19.	032	3RS	Public	Marine construction works – reclamation works	May 2019	August 2019	25,200	–	–	–	25,461	25,461	–
20.	035	Kowloon	Private	Other civil engineering works – foundation works	June 2019	November 2019	22,000	–	–	–	22,229	22,229	–
21.	036 (Note 6)	Pok Fu Lam	Public	Other civil engineering works – site formation works	June 2019	August 2020	21,380	–	–	–	25,148	25,148	1,436
		Pok Fu Lam	Public	Marine construction works – reclamation works	June 2019	August 2020	23,605	–	–	–	27,279	27,279	1,940
22.	037	Kai Tak	Private	Other civil engineering works – foundation works	August 2019	January 2020	34,746	–	–	–	34,746	34,746	–
23.	039	3RS	Public	Marine construction works – reclamation works	September 2019	November 2019	23,940	–	–	–	24,480	24,480	–
24.	040	San Po Kong	Private	Other civil engineering works – foundation works	November 2019	October 2020	36,816	–	–	–	24,685	24,685	12,131
25.	044	Lok Ma Chau	Public	Marine construction works – sediment treatment works	November 2019	November 2020	31,300	–	–	–	29,601	29,601	12,832
26.	051	Tung Chung	Public	Marine construction works – reclamation works	March 2020	September 2020	15,263	–	–	–	10,203	10,203	12,034
27.	052	Tung Chung	Public	Marine construction works – reclamation works	March 2020	September 2020	15,200	–	–	–	10,550	10,550	12,057
							737,647	183,882	187,328	273,521	245,582	890,313	55,330

Notes:

1. The commencement date is based on the commencement date specified in the contract (if any) payment certificate (if any) or as set out in our record.

2. The practical completion date is based on our management's estimate according to the completion date specified in the practical completion certificate (if any) or as set out in our record or with reference to the completion record issued by us.

3. The initial contract sum is based on the contract sum specified in the contract or agreement or our management's estimate primarily based on the specified unit rate and the quantity of works required during the project period.

4. The revenue recognised during the Track Record Period may be higher than the initial contract sum due to variation order(s) and/or additional works performed during the course of the project.

5. The project codes are our internal reference numbers assigned for each of our projects and vessel chartering arrangements.

6. Project 036 arose from one contract awarded and is considered as one project only in terms of the number of projects completed. The initial contract sum of the project was apportioned based on the type of works under the subject contract which consisted of marine construction works and other civil engineering works. The same project will appear under the project backlog table for both marine construction works and other civil engineering works.

Projects on hand

As at the Latest Practicable Date, we had 10 projects in progress, including five marine construction projects, four other civil engineering projects and one project involving both marine construction and other civil engineering works, with an aggregate estimated revenue of approximately HK$372.1 million to be recognised subsequent to the Track Record Period. The following table sets out the details of our projects on hand as at the Latest Practicable Date:

No.	Project code *(Note 6)*	Site location	Sector	Type of works	Commencement date *(Note 1)*	Expected completion date *(Note 2)*	Initial contract sum *(Note 3)*	Revenue recognised during the Track Record Period *(Note 4)*	Estimated revenue to be recognised subsequent to the Track Record Period *(Note 5)*
							HK$'000	*HK$'000*	*HK$'000*
1.	028	3RS	Public	Marine construction works – regulation and deposition of sand blanket works	April 2019	November 2020	43,800	42,626	30,440
2.	041	Tung Chung	Public	Marine construction works – reclamation works	March 2020	May 2021	11,250	225	11,025
3.	042	Kwun Tong	Private	Other civil engineering works – foundation works	December 2019	March 2021	30,805	9,847	20,958
4.	045	Tung Chung	Public	Marine construction works – reclamation works	September 2020	February 2022	64,632	–	64,632
5.	046	3RS	Public	Other civil engineering works – foundation works	February 2020	December 2020	17,103	6,750	10,570
6.	050	Tung Chung	Public	Marine construction works – reclamation works	March 2020	February 2021	23,100	5,023	18,077
7.	055	Kowloon Tong	Private	Other civil engineering works – foundation works	August 2020	May 2021	48,804	–	48,804
8.	056	Kwai Chung	Private	Other civil engineering works – foundation works	August 2020	January 2021	26,798	–	27,119
9.	057*(Note 7)*	Kwai Chung	Public	Other civil engineering works – site formation works	October 2020	May 2022	57,831	–	57,831
			Public	Marine construction works – reclamation works	October 2020	May 2022	64,022	–	64,022
10.	058	Kai Tak	Public	Marine construction works – reclamation works	September 2020	March 2021	18,625	–	18,625
							406,770	64,471	372,103

Notes:

1. The commencement date is based on our management's estimate according to the commencement date specified in the contract (if any), payment certificate (if any) or as set out in our record.

2. The expected completion date is based on our management's estimate according to the construction programme, expected completion date as specified in the contract or the actual progress.

3. The initial contract sum is based on the contract sum specified in the contract or agreement or our management's estimate primarily based on (i) the specified unit rate and the quantity of works required during the project period; or (ii) the latest available information.

4. The revenue recognised during the Track Record Period may be higher than the initial contract sum due to variation order(s) and/or additional works performed during the course of the project.

5. The estimated revenue to be recognised subsequent to the Track Record Period may be higher than the initial contract sum due to variation order(s) and/or additional works to be performed.

6. The project codes are our internal reference numbers assigned for each of our projects and vessel chartering arrangements.

7. Project 057 arose from one contract awarded and is considered as one project only in terms of the number of projects on hand. The initial contract sum of the project is apportioned based on the type of works under the subject contract which consisted of marine construction works and other civil engineering works. The same project will appear under the project backlog table for both marine construction works and other civil engineering works.

Project backlog

As at 31 May 2017, 2018, 2019 and 2020 and the Latest Practicable Date, we had a total of five, four, nine, 16 and 11 projects in our backlog (representing projects awarded but not yet completed at the respective dates), respectively. Set out below are the tables showing the number of projects in backlog, completed and awarded to us during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate values for the Track Record Period:

(i) Marine construction works

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
Projects brought forward from prior year/period	1	4	4	6	9
Projects awarded during the year/period	6	4	8	8	1
Projects completed during the year/period	3	4	6	5	4
Projects carried forward to next year/period	4	4	6	9	6

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Outstanding aggregate contract value at the beginning of the year/period	16,000	81,150	15,696	92,605	199,605
Outstanding contract value of new projects and variation orders	237,630	117,252	252,169	293,327	48,980
Revenue recognised	(172,480)	(182,706)	(175,260)	(186,327)	(83,358)
Outstanding aggregate contract value at the end of the year/period	81,150	15,696	92,605	199,605	165,227

(ii) Other civil engineering works

	For the year ended 31 May 2017	2018	2019	2020	From 1 June 2020 and up to the Latest Practicable Date
Projects brought forward from prior year/period	–	1	–	3	7
Projects awarded during the year/period	1	–	4	6	–
Projects completed during the year/period	–	1	1	2	2
Projects carried forward to next year/period	1	–	3	7	5

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	2018	2019	2020	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Outstanding aggregate contract value at the beginning of the year/period	–	318	–	78,126	176,931
Outstanding contract value of new projects and variation orders	11,720	4,304	176,387	222,531	1,917
Revenue recognised	(11,402)	(4,622)	(98,261)	(123,726)	(58,432)
Outstanding aggregate contract value at the end of the year/period	318	–	78,126	176,931	120,416

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.

2. The completion date is based on our management's estimates according to the completion date specified in the practical completion certificate (if any), as set out in our record or with reference to the completion record issued by us.

3. For project 036 and project 057 where the projects consist of both marine construction and other civil engineering works in one contract awarded, the projects will be counted in both the project backlog of marine construction works and other civil engineering works and the contract value is apportioned based on the type of works performed/to be performed under the contract.

4. The outstanding aggregate contract value of new projects and variation orders comprised of recognised variation orders of approximately HK$26.1 million, HK$37.7 million and HK$77.1 million and HK$38.9 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

5. The closing value of the outstanding aggregate contract value at the end of the year/period as set out in the tables headed "(i) Marine construction works" and "(ii) Other civil engineering works" for the year ended 31 May 2020 of approximately HK$199.6 million and HK$176.9 million, respectively, was approximately HK$376.5 million in aggregate. As set out under note 4 "Revenue and Segment Reporting - (a) Revenue – (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date" in Appendix I to this prospectus, the aggregate amount of the transaction price allocated to the remaining performance obligations under our Group's existing contracts is approximately HK$142.8 million, the difference of approximately HK$233.7 million is the aggregate contract value exempted from disclosure in accordance with practical expedient in paragraph 121 of HKFRS 15, of which approximately HK$135.6 million and HK$98.1 million was related to marine construction works and other civil engineering works, respectively. For information purposes, our Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as (i) the performance obligation is part of a contract that has an original expected duration of one year or less; or (ii) our Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to customer of our Group's performance completed to date.

As at the Latest Practicable Date, the outstanding aggregate contract value of our Group's backlog (including vessel chartering arrangements of approximately HK$18.1 million) amounted to approximately HK$303.8 million, of which approximately HK$173.7 million and HK$130.1 million are expected to be recognised, subject to the progress of the respective projects, for the remaining period of the years ending 31 May 2021 and 2022, respectively. Subsequent to 31 May 2020 and up to the Latest Practicable Date, our Group was awarded with one non-3RS related marine construction project with an initial contract sum of approximately HK$18.6 million.

OUR VESSEL CHARTERING ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we completed 15 vessel chartering arrangements (excluding the one-off vessel chartering arrangement which the vessel was chartered on a short-term basis and the requested charter period each time is less than a week) and have been awarded with three vessel chartering arrangements which are ongoing, the details of which are set out below:

No.	Code *(Note 2)*	Site at which the vessel(s) was/were/proposed to be used	No. of vessel(s) chartered *(Note 1)*	Type(s) of vessel(s) chartered	Source of vessel(s) chartered	Charter period/ Estimated charter period	Status of vessel chartering arrangement as at the Latest Practicable Date	Revenue recognised for the year ended 31 May 2017 *HK$'000*	Revenue recognised for the year ended 31 May 2018 *HK$'000*	Revenue recognised for the year ended 31 May 2019 *HK$'000*	Revenue recognised for the year ended 31 May 2020 *HK$'000*	Revenue recognised during the Track Record Period *HK$'000*	Estimated revenue to be recognised subsequent to the Track Record Period *(Note 3)* *HK$'000*
1	004	Sha Chau Island	12	4 Passenger boats	Chartered from supplier	June 2016 – September 2018	Completed	21,724	38,297	5,399	–	65,420	–
				2 Crane barges	Chartered from supplier								
				1 Dumb lighter	Chartered from supplier								
				1 Special purpose vessel	Self-owned vessel								
				2 Tug boats	Chartered from supplier								
				1 Dangerous goods carrier	Chartered from supplier								
				1 Water barge	Chartered from supplier								
2	009	3RS	4	4 Special purpose vessels	Self-owned vessel	May 2017 – April 2019	Completed	451	9,440	6,908	–	16,799	–
3	010	3RS	4	2 Passenger boats	Chartered from supplier	January 2017 – January 2019	Completed	6,274	15,271	5,841	–	27,386	–
				1 Work boat	Chartered from supplier/ self-owned vessel								
				1 Tug boat	Chartered from supplier								
4	013	3RS	5	2 Tug boats	Chartered from supplier	April 2017 – August 2018	Completed	2,264	19,278	3,792	–	25,334	–
				1 Passenger boat	Chartered from supplier								
				1 Dumb lighter	Chartered from supplier								
				1 Anchor boat	Chartered from supplier								
5	019	3RS	1	1 Passenger boat	Chartered from supplier	July 2018 – January 2019	Completed	–	–	1,174	–	1,174	–
6	022	3RS	3	1 Anchor boat	Chartered from supplier	January 2017 – April 2017	Completed	1,088	–	–	–	1,088	–

No.	Code (Note 2)	Site at which the vessel(s) was/were/proposed to be used	No. of vessel(s) chartered (Note 1)	Type(s) of vessel(s) chartered	Source of vessel(s) chartered	Charter period/ Estimated charter period	Status of vessel chartering arrangement as at the Latest Practicable Date	Revenue recognised for the year ended 31 May 2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	during the Track Record Period HK$'000	Estimated revenue to be recognised subsequent to the Track Record Period (Note 3) HK$'000
				1 Tug boat 1 Passenger boat	Chartered from supplier Chartered from supplier								
7	024	3RS	1	1 Passenger boat	Chartered from supplier	October 2016 – November 2016	Completed	270	–	–	–	270	–
8	025	3RS	1	1 Tug boat	Chartered from supplier	August 2017 and May 2018	Completed	–	16	–	–	16	–
9	026	3RS	1	1 Anchor boat	Chartered from supplier	January 2017 – March 2017	Completed	109	–	–	–	109	–
10	033	3RS	1	1 Anchor boat	Chartered from supplier	March 2019 – April 2019	Completed	–	–	620	–	620	–
11	034	3RS	1	1 Tug boat	Chartered from supplier	March 2019 – April 2019	Completed	–	–	47	–	47	–
12	038	Sha Chau Island	1	1 Passenger boat	Chartered from supplier	August 2019 – October 2019	Completed	–	–	–	213	213	–
13	043	Sha Chau Island	1	1 Passenger boat	Chartered from supplier	November 2019 – December 2019	Completed	–	–	–	467	467	–
14	047	3RS	1	1 Passenger boat 1 Special purpose vessel 1 Tug boat	Chartered from supplier/ self-owned vessel	January 2020 – April 2021	On-going	–	–	–	1,070	1,070	4,389
15	048	3RS	2	1 Tug boat 1 Special purpose vessel	Self-owned vessel	March 2020 – May 2020	Completed	–	–	–	1,148	1,148	–
16	049	3RS	1	1 Special purpose vessel	Self-owned vessel	February 2020 – April 2021	On-going	–	–	–	540	540	1,485
17	053	Tung Chung	2	2 Special purpose vessels	Self-owned vessel	May 2020 – June 2020	Completed	–	–	–	119	119	238
18	054	3RS	3	1 Tug boat 2 Special purpose vessels 1 Dumb lighter	Self-owned vessel	June 2020 – May 2022	On-going	–	–	–	–	–	18,900
							One-off vessel chartering arrangements	–	–	–	40	40	18
								32,180	82,302	23,781	3,597	141,860	25,030

Notes:

1. The number of vessel(s) chartered represents the maximum number of vessel(s) chartered during the charter period which included our self-owned vessel(s) and, where applicable, vessel(s) chartered from our suppliers.

2. The project codes are our internal reference numbers assigned for each of our projects and vessel chartering arrangements.

3. The estimated revenue to be recognised subsequent to the Track Record Period is based on our management's estimate according to the terms and conditions of the contract.

For the years ended 31 May 2017, 2018, 2019 and 2020, the revenue recognised from our vessel chartering services amounted to approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and HK$3.6 million, respectively. The revenue recognised from our vessel chartering services will be affected by factors including the type and number of vessels required and the duration of charter period which is dependant on the project where such vessels are being deployed to. During the Track Record Period, our vessel chartering arrangements with revenue recognised over the years ended 31 May 2017, 2018 and 2019 involved chartering of multiple vessels, longer charter period and a large number of chartered vessels were deployed during the year ended 31 May 2018. As such, a major portion of the revenue from such vessel chartering arrangements was recognised during the year ended 31 May 2018. As the aforesaid vessel chartering arrangements were completed during the year ended 31 May 2019 (being August 2018, September 2018 and January 2019), and our vessel chartering arrangements with revenue recognised during the years ended 31 May 2019 and 2020 generally had a shorter charter period and involved chartering of only one to two vessels, leading to a decrease in revenue in such segment during the years ended 31 May 2019 and 2020. Our vessel chartering arrangements during the Track Record Period primarily involved sub-chartering vessels from our suppliers as our self-owned vessels were mainly deployed to our marine construction projects. Depending on the suitability of the available self-owned vessels for the types of works required for our projects on hand or vessel chartering arrangements at the relevant time, our self-owned vessels may be chartered to our customers or deployed to our marine construction projects.

In light of the progress of certain marine construction projects including project 028 and project 044 where the works in progress no longer required deployment of our self-owned vessels at the material time, our self-owned vessels were arranged to be deployed for our vessel chartering arrangements, including vessel chartering arrangements 048, 049, 053 and 054. We chartered our self-owned vessels to our customers instead of sub-chartering after consideration of (i) the relatively short charter period for vessel chartering arrangements 048 and 053, and our Directors considered that our self-owned vessels could be utilised for our marine construction projects if required after completion of the works thereunder; (ii) the required vessels and the suitability of the required vessels for our ongoing marine construction projects where at the material time, special purpose vessels were not necessarily required for the marine construction works being carried out by us, thus, most of our self-owned special purpose vessels could be deployed to our vessel chartering arrangements; and/or (iii) the expected commencement time and/or progress of our marine construction projects and vessel chartering arrangements.

As at the Latest Practicable Date, our Group had three ongoing vessel chartering arrangements (excluding the aforesaid one-off vessel chartering arrangements) and we had received four requests for quotation for vessel chartering arrangement with expected contract sum of approximately HK$110.7 million in aggregate, to which we responded by giving our quotations and are pending confirmation of engagement by our potential customers. The estimated revenue for our vessel chartering service to be recognised subsequent to the Track Record Period amounted to approximately HK$25.0 million.

SEASONALITY

Our Directors consider that the demand for our marine construction works, vessel chartering services and other civil engineering works is generally not subject to seasonality.

SALES AND MARKETING

During the Track Record Period, our projects were awarded by way of open tenders or quotations requested by our customers directly and our vessel chartering services were generally requested by our customers by way of quotation. Our Directors believe that our past project references, reputation and a good relationship maintained with our customers are fundamental to securing future projects or returning customers for our vessel chartering services as we rely on word-of-mouth by our customers to attract new referrals for future projects or vessel chartering services. The quality of services provided by us in our existing projects and vessel chartering services is therefore crucial to the retention of our existing customers and attracting future potential customers. Our executive Directors are generally responsible for maintaining our relationships with our customers, keeping abreast of market developments and exploring potential business opportunities. We believe that the Listing will enhance our corporate profile, reinforce our brand image and facilitate our future business development.

OUR CUSTOMERS

We generally act as a subcontractor in our projects and our customers are main contractors of marine construction projects or other civil engineering projects engaged by property developers or project employers in the public and private sectors during the Track Record Period. A number of our major customers have established close working relationships with us and have a good understanding of our strengths and capabilities from our past cooperations. We do not have any long-term contracts with our customers and our contracts for marine construction projects or other civil engineering projects are entered into on a project-by-project basis.

The contracts we entered into with our customers are generally project-specific and are based on the standard form of contract provided by our customers and subject to variations as negotiated by the parties. The major terms of our contracts for marine construction projects and other civil engineering projects in general are summarised below:

Major contract terms		Description
Types and scope of works	:	The scope of services and type of works to be carried out by our Group are specified in the contract.
Contract period	:	The period within which the project has to be completed based on the completion timeline in each contract.
Contract sum	:	The initial contract sum for carrying out the scope of work based on the rates and prices in the bills of quantities or schedule of rates in the contract.
Bills of quantities/schedule of rates	:	Description and specification of the works to be carried out, the quantity and the unit price.
Terms of payment	:	We generally submit interim payment applications to our customers on a monthly basis and in general it takes around two to three weeks to receive the payment certificate after submission of our payment application. Please also refer to the paragraph headed "Business model and our operation – Marine construction works or other civil engineering works – 3. Project execution – (iii) Customer inspection and acceptance, and progress payment" in this section.
Variation orders	:	During the project period, our customers may from time to time instruct us to undertake variation works which are generally valued with reference to the rates and price agreed in the bills of quantities or schedule of rates in the contract or agreed separately by way of quotation.

Major contract terms		Description
Defects liability period	:	We remain responsible for remedying any defects or imperfections in our works done for a certain period after completion of our works under the contract. Please also refer to the paragraph headed "Business model and our operation – Marine construction works or other civil engineering works – 5. Defects liability period" in this section.
Retention monies	:	Our customers are usually entitled to withhold approximately 2.5% to 5.0% of each progress payment due to us as retention monies, but the total amount of retention monies withheld shall not exceed approximately 2.5% to 5.0% of the total sum of the contracts. Please also refer to the paragraph headed "Business model and our operation – Marine construction works or other civil engineering works – 5. Defects liability period" in this section.
Insurance	:	The accidents and injuries of our employees and employees of our subcontractors at the work site are covered by the insurance policy maintained by the main contractor or employer of the project. As to our vessels or site equipment deployed in the work site, we are required to maintain our own insurance policy. Please also refer to the paragraph headed "Insurance" in this section.
Liquidated damages	:	If we fail to complete the contract works by the due date, we may, subject to the rights for time extension, be required to compensate our customers according to certain damages calculating mechanism as stipulated under the subject contract.

Major contract terms		Description
Termination	:	If the employment of the principal contractor under the main contract is terminated before the subcontractor has fully performed its obligations under the subcontract, the principal contractor may at any time thereafter terminate the subcontractor's employment under the subcontract and the subcontractor shall be entitled to be paid the full value of all works properly executed under the subcontract. If the subcontractor fails to execute the subcontract works or to perform other obligations in accordance with the subcontract or to the satisfaction of the principal contractor, after being required in writing to do so by the principal contractor, then, without prejudice to any other rights to claim damages, the principal contractor may by written notice to the subcontractor forthwith terminate the subcontractor's employment under the subcontract.

For our vessel chartering services, our customers are mainly contractors of marine construction works. Our customers generally enter into contract with us or issue a work orders/plant order to us for our engagement. The major terms of our vessel chartering contracts are set out below:

Major contract terms		Description
Scope of services	:	Provision of the type and number of vessel(s) and vessel crew if required.
Charter period	:	The charter period(s) as specified in the contract.
Service time	:	Daily service time for the vessel(s) per day will be specified.
Over time charge	:	Over time charge at an hourly rate may apply as specified in the contract.
Chartering fee	:	Chartering fee is calculated on a monthly basis in general, excluding over time charges (if any) for operation outside the prescribed service time.

Major contract terms		Description
Typhoon arrangement	:	Vessels are required to depart to typhoon shelter upon the hoisting of typhoon signal no. 3.
Fuel	:	Depending on the terms, our customers or us will provide the fuel.
Insurance	:	We are generally responsible for the third party insurance and other insurance are generally undertaken by our customers.
Termination	:	Customers may terminate the vessel chartering services by giving advance notice.

During the Track Record Period, a number of our customers who engaged us for marine construction works or other civil engineering works also engaged us, on a separate engagement for vessel chartering services, irrespective of whether or not the chartered vessels were used in the same project. For the years ended 31 May 2017, 2018, 2019 and 2020, there were respectively five, three, three and nil customers to whom we provided both (i) marine construction works or other civil engineering works; and (ii) vessel chartering services. Our Directors consider that the pricing and profit margin for the projects awarded by the customers to whom we provide both (i) marine construction works and vessel chartering services or (ii) other civil engineering works and vessel chartering services are not substantially different to our other projects as we have two separate pricing policy for our two types of services and the quotations for project works and vessel chartering services are responsible by two different operational teams.

Our customers generally settle our payment by cheque or bank transfer. For discussion of our trade receivable turnover days during the Track Record Period, please refer to the paragraph headed "Financial Information – Analysis of various items from the consolidated statements of financial position – Trade and other receivables" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material delay or default of payment by our major customers. Additionally, our Group had no material dispute with or claims from our customers which would have had a material impact on our business, financial condition or results of operations.

Top five customers

For the years ended 31 May 2017, 2018, 2019 and 2020, the revenue attributable to our top five customers amounted to approximately HK$184.4 million, HK$250.4 million, HK$275.1 million and HK$248.9 million, representing approximately 85.3%, 92.8%, 92.6% and 79.3% of our total revenue, respectively. During the same period, the revenue attributable to our largest customer amounted to approximately HK$55.4 million, HK$98.3 million, HK$98.3 million and HK$102.4 million, representing approximately 25.6%, 36.4%, 33.1% and 32.6% of our total revenue, respectively.

The following tables set forth the details of our top five customers in terms of revenue during the Track Record Period:

For the year ended 31 May 2017

Customer	Types of goods/services provided	Revenue	Approximate % of our total revenue	Payment method	Commencement of business relationship with our Group since
		HK$'000	*%*		
Customer A[(Note 1)]	Marine construction works – regulation and deposition of sand blanket works and submarine pipeline works Vessel chartering service	55,412	25.6	By cheque	2016
LT Sambo Co., Ltd.[(Note 2)]	Marine construction works – reclamation works and regulation and deposition of sand blanket works	40,528	18.8	By cheque	2016
Huayuan Group[(Note 3)]	Other civil engineering works – roads and drainage works Marine construction works – submarine pipeline works and reclamation works Vessel chartering service	33,127	15.3	By bank transfer	2015
Bachy Soletanche – Sambo Joint Venture[(Note 4)]	Marine construction works – reclamation works and regulation and deposition of sand blanket works Vessel chartering service	30,049	13.9	By cheque	2016
Customer C[(Note 5)]	Marine construction works – reclamation works Vessel chartering service	25,262	11.7	By cheque	2011
Top five customers combined		184,378	85.3		
All other customers combined		31,684	14.7		
Total		216,062	100.0		

For the year ended 31 May 2018

Customer	Types of goods/services provided	Revenue	Approximate % of our total revenue	Payment method	Commencement of business relationship with our Group since
		HK$'000	*%*		
Customer D (Note 6)	Marine construction works – reclamation works	98,252	36.4	By cheque and bank transfer	2017
Customer A (Note 1)	Marine construction works – regulation and deposition of sand blanket works and submarine pipeline works Vessel chartering service	63,423	23.5	By cheque	2016
Huayuan Group (Note 3)	Other civil engineering works – roads and drainage works Marine construction works – submarine pipeline works and reclamation works Vessel chartering service	42,919	15.9	By bank transfer	2015
Customer C (Note 5)	Marine construction works – reclamation works Vessel chartering service	30,575	11.3	By cheque	2011
Dong-Ah Geological Engineering Company Limited (Note 7)	Vessel chartering service	15,271	5.7	By cheque	2013
Top five customers combined		250,440	92.8		
All other customers combined		19,190	7.2		
Total		269,630	100.0		

For the year ended 31 May 2019

Customer	Types of goods/services provided	Revenue	Approximate % of our total revenue	Payment method	Commencement of business relationship with our Group since
		HK$'000	*%*		
Toko Construction & Machinery Limited ("**Toko**") *(Note 8)*	Other civil engineering works – foundation works	98,261	33.1	By cheque	2018
Customer A *(Note 1)*	Marine construction works – regulation and deposition of sand blanket works and submarine pipeline works Vessel chartering service	86,463	29.1	By cheque	2016
Huayuan Group *(Note 3)*	Other civil engineering works – roads and drainage works Marine construction works – submarine pipeline works and reclamation works Vessel chartering service	45,813	15.4	By bank transfer	2016
LT Sambo Co., Ltd. *(Note 2)*	Marine construction works – regulation and deposition of sand blanket works and submarine pipeline works	35,929	12.1	By cheque	2016
Customer C *(Note 5)*	Marine construction works – reclamation works Vessel chartering service	8,602	2.9	By cheque	2011
Top five customers combined		275,068	92.6		
All other customers combined		22,234	7.4		
Total		297,302	100.0		

For the year ended 31 May 2020

Customer	Types of goods/services provided	Revenue	Approximate % of our total revenue	Payment method	Commencement of business relationship with our Group since
		HK$'000	*%*		
Customer E *(Note 9)*	Other civil engineering works – foundation works Marine construction works – reclamation works	102,368	32.6	By cheque	2012
Ming Shing Construction Engineering Company Limited ("**Ming Shing**") *(Note 11)*	Other civil engineering works – foundation works Marine construction works – reclamation works	49,617	15.8	By cheque	2019
Bachy Soletanche – Sambo Joint Venture *(Note 4)*	Marine construction works – reclamation works and regulation and deposition of sand blanket works Vessel chartering service	42,626	13.6	By cheque	2016
Customer H/Supplier D *(Note 10)*	Marine construction works – reclamation works	29,601	9.4	By cheque	2019
Customer F *(Note 12)*	Other civil engineering works – foundation works	24,685	7.9	By cheque	2019
Top five customers combined		248,897	79.3		
All other customers combined		64,753	20.7		
Total		313,650	100.0		

Notes:

1. A joint venture formed by (i) Customer C; (ii) a main contractor in Hong Kong which is principally engaged in building construction, civil and foundation engineering works, being a subsidiary of a company whose shares are listed on the Main Board; and (iii) Dong-Ah Geological Engineering Company Limited.

2. A construction contractor which is incorporated in South Korea as a private limited liability company and operated in Hong Kong since 2009.

3. Huayuan Group consists of Langfang Huayuan Mechanical And Electrical Engineering Company Limited, being a private limited liability company in the PRC which is principally engaged in pipeline installation services, and Huayuan Innovative Development (HongKong) Company Limited, being a private limited company construction contractor which is wholly-owned by Langfang Huayuan Mechanical And Electrical Engineering Company Limited. For this reason, the transaction amounts in relation to them are presented on aggregate basis.

4. A joint venture formed by (i) a geotechnical contractor in the field of underground engineering in Hong Kong; and (ii) LT Sambo Co., Ltd..

5. A construction contractor whose shares are listed on the Tokyo and Nagoya Stock Exchanges.

6. A joint venture formed by (i) a PRC-based company which is principally engaged in infrastructure construction, infrastructure design, dredging and is dually-listed on the Main Board and the Shanghai Stock Exchange; and (ii) two of its subsidiaries.

7. A construction contractor whose shares are listed on the Korea Exchange.

8. A private limited liability company incorporated in Hong Kong which is principally engaged in civil engineering construction works.

9. A construction contractor in Hong Kong which is principally engaged in provision of site formation works, being a subsidiary of a company whose shares are listed on the Main Board. The listed group has over 200 employees and has more than 18 years of experience for provision of site formation works in Hong Kong, and undertakes site formations works such as general earthworks, tunnel excavation works, foundation works, as well as road and drainage works.

10. A private limited liability company incorporated in Hong Kong in 2011 which is principally engaged in providing integrated and sustainable environmental services.

11. A construction contractor in Hong Kong which is principally engaged in provision of civil engineering and building works, being a subsidiary of a company whose shares are listed on the Main Board. The listed group has over 100 employees and has a long history of undertaking civil engineering works in Hong Kong since 1997, undertaking civil engineering works such as site formation, excavation and lateral support works, pile cap construction, and roads and drainage and waterworks. The listed group also undertook private sector building works as well as alteration and additions works.

12. A private limited liability company incorporated in Hong Kong in 2004 which is principally engaged in civil engineering construction works.

To the best knowledge of our Directors, our top five customers during the Track Record Period are Independent Third Parties and none of our Directors or sole Shareholder who owns more than 5% of the issued share capital of our Company or their respective close associates had any interest in any of our top five customers during the Track Record Period.

Top customer who was also our supplier

Customer H was one of our top five customers during the Track Record Period. During the year ended 31 May 2020, we purchased chemicals from Customer H for use in our project with Customer H and the amount was deducted as contra-charge from payment by Customer H. Our purchases from Customer H amounted to nil, nil, nil and approximately HK$4.9 million for the years ended 31 May 2017, 2018, 2019, and 2020, respectively. For details, please refer to the paragraph headed "Our customers – Contra-charge arrangements with our customers" in this section.

Customer concentration

For the years ended 31 May 2017, 2018, 2019 and 2020, the total revenue attributable to our largest customer amounted to approximately HK$55.4 million, HK$98.3 million, HK$98.3 million and HK$102.4 million respectively, representing approximately 25.6%, 36.4%, 33.1% and 32.6% of our total revenue for the same period. During the same period, our top five customers accounted for approximately 85.3%, 92.8%, 92.6% and 79.3% of our total revenue, respectively. According to the Ipsos Report, it is an industry norm for subcontractors of public marine construction projects to have limited customer base and high customer concentration in relatively large scale projects due to the comparatively small number of qualified main contractors, and the main contractors of these contracts tends to delegate part of their works to subcontractors with developed proven track record to ensure work quality.

During the Track Record period and up to the Latest Practicable Date, we have been awarded a considerable number of projects by our top five customers, with details as follows:

Customer	**Project(s) involved** *(Project Code)*	**Nature and scope of works**
Customer A	015, 016, 018, 021	Marine construction works – regulation and deposition of sand blanket works and submarine pipeline works
LT Sambo Co., Ltd.	008, 017, 031	Marine construction works – reclamation works and regulation and deposition of sand blanket works
Huayuan Group	003, 027, 030	Other civil engineering works – roads and drainage works Marine construction works – submarine pipeline works and reclamation works
Bachy Soletanche – Sambo – Joint Venture	011, 028	Marine construction works – reclamation works and regulation and deposition of sand blanket works
Customer C	005	Marine construction works – reclamation works
Customer D	012, 014, 029	Marine construction works – reclamation works
Toko	020	Other civil engineering works – foundation works
Customer E	032, 036, 039, 057	Other civil engineering works – foundation works Marine construction works – reclamation works
Customer H	044	Marine construction works – reclamation works
Ming Shing	037, 042, 050, 055, 056	Other civil engineering works – foundation works Marine construction works – reclamation works
Customer F	040	Other civil engineering works – foundation works

For further details of the projects awarded by our top five customers, please refer to paragraph headed "Our marine construction and other civil engineering projects" in this section.

Customer A, Huayuan Group and Customer C formed part of our top five customers for each of the years ended 31 May 2017, 2018 and 2019. For Huayuan Group and Customer C, such were primarily attributable to the fact that we provided both marine construction works or other civil engineering works and vessel chartering services to each of them during the corresponding period, which resulted in an overall higher revenue contribution from such customers. As for Customer A, being one of the top five players in the reclamation works industry in Hong Kong according to the Ipsos Report, we carried out marine construction works for five projects awarded by Customer A during the corresponding period, hence the revenue contribution from Customer A became significant during the same period, resulting in Customer A being one of our top five customers for each of the year of the corresponding period.

With projects being awarded by new customers including Ming Shing, Customer H and Customer F in 2019, our Directors are of the view that our degree of customer concentration is being gradually improved. During the Track Record Period, our Group undertook one marine construction project (project 044) from Customer H and one other civil engineering project (project 040) from Customer F with initial contract sum of approximately HK$31.3 million and HK$36.8 million, respectively. As both projects commenced in November 2019 with expected completion date in September 2020 and November 2020, a substantial portion of the revenue from the projects was recognised during the year ended 31 May 2020, resulting in Customer F and Customer H both being one of our top five customers in terms of revenue for the year ended 31 May 2020. As for Ming Shing, our Group was initially awarded with one other civil engineering project involving foundation works (project 037). Our Directors believe that due to our Group's performance and our Group's strength and experience in reclamation works, Ming Shing subsequently awarded other civil engineering projects and marine construction projects to our Group, and the aggregate revenue derived from the four projects awarded by Ming Shing which were in progress/completed during the year ended 31 May 2020 resulted in Ming Shing being one of our top five customers in terms of revenue for the year ended 31 May 2020.

All of the projects awarded by Ming Shing, Customer H and Customer F were secured after a competitive tendering/quotation process where our Group was invited to tender/ provide quotation in accordance with the customers' requirements and our Group was ultimately notified of the award of the projects.

Our Directors believe view that our degree of customer concentration will decrease over time, taking into consideration of (i) our projects on hand, some of which were awarded by new customers; (ii) our Group would continue to pursue business opportunities with new customers; (iii) our expectation that the Listing will enhance our corporate image and recognition, and our ability to attract new business opportunities as it signifies a degree of financial strength of our Group, which our Directors believe is an important factor to be taken into account by our potential customers in evaluating our tenders/quotations; and (iv) our expectation that the net proceeds from the Share Offer shall strengthen our financial capability and provide us with additional capital to expand our capacity by strengthening our manpower, vessel fleet and site equipment such that we will be able to undertake more projects concurrently.

Sustainability of our business

Our Directors consider that our business operation is affected by our limited customer base with customer concentration of revenue contribution from our major customers during the Track Record Period and the Forecast Downturn.

Customer concentration

Our Directors are of the view that despite having a concentrated customer base, our business is sustainable taking in to account of the following:

(i) during the Track Record Period, a major portion of our revenue was derived from marine construction works. According to the Ipsos Report, there are only a comparatively small number of qualified main contractors for such marine construction projects. As we also provided vessel chartering services to marine construction contractors, some of which were also customers of our marine construction projects, the revenue contributed by such customers became substantial during the Track Record Period, and resulted in such customers being our major customers with a high revenue contribution;

(ii) we undertook public marine construction projects which were generally of a considerable scale and a single project undertaken by us contributed a significant portion to our Group's revenue for a particular period and resulted in the relevant customer of the project becoming one of our top customers in that particular period. Some of those projects involved unanticipated variation orders and/or additional work orders during the course of the project which led to a higher total revenue contribution from a particular customer;

(iii) it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute a substantial amount to our revenue. Therefore, if we decide to undertake certain project with a large contract sum, the relevant customer may easily become one of our largest customers in terms of our revenue. Those projects also typically span over a longer period and consequently, some of our major customers were among our top five customers in terms of revenue for consecutive years;

(iv) during the Track Record Period, we prioritised our resources to cater for the demand and request for services from our major customers in order to maintain a good business relationship with them, which may have contributed to the concentration situation. If any of our major customers reduces the number of contracts with us or do not engage us in the future, our Directors consider that we would have the spare capacity and resources to undertake projects from other customers and further develop and diversify our customer base;

(v) we have a good and stable business relationship with our major customers, and the revenue from most of our major customers were accumulated from various contracts awarded during the Track Record Period. Up to the Latest Practicable Date, these major customers continued to invite us to submit tender/quotation for marine construction or other civil engineering projects and/or vessel chartering arrangements from time to time, supporting that these customers have a good and stable business relationship with us and are satisfied with our Group's performance. In particular, with our Director's technical experience and our technical expertise in handling marine construction works and other civil engineering works, we believe we can continue to maintain mutual trust with our major customers to sustain our continuous business relationship; and

(vi) our Group was admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019. According to the Ipsos Report, there were 13 approved contractors under Group B and 26 approved contractors under Group C port works category in the List of Approved Contractors for Public Works as of November 2020 which enable the Group B and Group C approved contractor to tender for public works as a main contractor for value of up to HK$300 million and exceeding HK$300 million respectively, with limitation that Group C approved contractors being restricted from tendering for Group B contracts. Our Directors consider that our Group, as one of the 13 approved contractors under the Group B port works category, has additional room to expand our market share and presence in the marine construction works industry in Hong Kong as a main contractor. According to the Ipsos Report, ownership of vessel fleet is a key factor of competition. Thus, our Directors consider that strengthening our Group's existing vessel fleet by acquiring vessels such as dumb lighter, flat top barge, passenger boat, tug boat and work boat, being vessels commonly used in different reclamation and non-reclamation marine construction works would improve our Group's competitiveness as against other Group B approved port works contractors in the market. Further, as one of our business strategies, we target to form joint ventures with foreign contractors to pursue marine construction works as a main contractor in Hong Kong for future public or private marine construction projects. Our Directors expect that this business strategy would also expand our Group's market share in the marine construction works industry in Hong Kong and increase our need for additional vessels. Our Directors confirmed that the nature of works to be involved by our Group in this connection will be broadly in line with those undertaken by our Group during the Track Record Period. Whilst we will continue to undertake projects as a subcontractor, our Directors believe that with the capability of tendering for projects as a main contractor, together with our reputation in the industry and our project portfolio, we will be able to secure contracts as a main contractor, which will enable us to diversify our current customer base and broaden our income stream.

Forecast Downturn

According to the Ipsos Report, the gross output value of the marine construction works industry in Hong Kong is expected to increase from approximately HK$25.3 billion in 2020 to approximately HK$29.9 billion in 2027, growing at a CAGR of approximately 2.4%. Such CAGR can be broken down into two phases, (i) the first phase being from 2020 to 2023, which showed a temporary downward trend from approximately HK$25.3 billion in 2020 to approximately HK$9.3 billion in 2023, representing a negative CAGR of approximately 28.3%; and (ii) the second phase being from 2024 to 2027, which showed a recovery trend from approximately HK$9.4 billion in 2024 to approximately HK$29.9 billion in 2027, representing a CAGR of approximately 47.0%. Our Directors believe that the Forecast Downturn will not have a material impact on our Group's sustainability taking into account of the following:

(i) The Forecast Downturn is expected to be temporary and ongoing and under-planning marine construction projects will continue to drive the marine construction works industry

Our Directors are of the view that the Forecast Downturn will be temporary in the short term as the Forecast Downturn is mainly attributed to the drop in the gross output value of the reclamation works industry in Hong Kong, which historically has accounted for more than half of the gross output value of the marine construction works industry in Hong Kong. With the decline in the gross output value of the reclamation works industry in Hong Kong from 2021 to 2024 which is contributed by the completion of the 3RS project in mid-2021 and delay of the Upcoming Projects which in aggregate will contribute not less than HK$41.6 billion to the reclamation industry in Hong Kong from around mid-2025 to 2032, the gross output value of the marine construction works industry in Hong Kong therefore declines from approximately HK$24.0 billion in 2021 to approximately HK$9.3 billion in 2023, being the lowest point in the Forecast Downturn. The downturn in the reclamation works industry in Hong Kong is expected to begin its recovery from 2024 and bounce back to approximately HK$21.3 billion in 2027 over time as the tentative land formation date for the Upcoming Projects, after taking into consideration of the expected delay in the relevant projects, will be around 2030 to 2032.

Our Directors' view that the Forecast Downturn is temporary is further supported by the Ipsos Report after factoring the continuing commitment from the Government in increasing long-term land supply in Hong Kong. In the 2020-2021 Budget Speech, Mr. Paul Chan, the Financial Secretary of the Government, announced the Government's plan to increase the land supply in Hong Kong. Reclamation has been one of the strategic options considered by the Government in increasing long-term land supply and it was also supported by the experts in the Task Force of Land Supply (the "**Task Force**") after taking into consideration of feasibility, public opinion as well as the cost and benefits.

According to Hong Kong 2030+, demand for land for the next 30 years will be no less than 4,800 hectares. Taking into account the land supply of 3,600 hectares or so from committed and planned under advance planning sites, Hong Kong will still face a land shortfall of at least 1,200 hectares in the long run up to 2046. The Task Force has reviewed the estimation of land supply and demand under Hong Kong 2030+ and considered that land demand may be higher than the estimate while land supply is subject to uncertainties in its delivery due to delay in commencement of rezoning procedures, development of some of the potential housing site might have to scaled down or put on hold due to local objections to infill developments, and expectation of challenges for the implementation of new development area plans, and the Task Force was of the view that the land shortfall of at least 1,200 hectares was a conservative estimate, and that the actual shortfall may be much higher than 1,200 hectares. According to the Task Force, reclamation has long been an important source of land supply as reclamation can generate a large piece of new land for comprehensive planning of a new community to better meet the daily needs of Hong Kong citizens and can also provide space for relocating special industrial or other facilities that have to be moved away from downtown areas, which in turn will release land in urban areas for other purposes. Unlike other land supply options, reclamation does not have a major impact on existing land uses and generally does not require private land resumption or household resettlements. In addition, new reclamation methods are more environmentally friendly.

According to the Ipsos Report, to cater for the development as planned under Hong Kong 2030+, reclamation works are anticipated to become one of the alternatives in increasing land supply and therefore is expected to propel the reclamation works industry in Hong Kong in the future. The Government is committed to take forward the recommendations from the Task Force in full stream by striving for the support of the Legislative Council as well as general public in the Upcoming Projects and the Kau Yi Chau artificial islands reclamation project, and seeking for the approval of the funding application for the consultancy study related to Kau Yi Chau artificial islands in the Central Waters from the Finance Committee of the Legislative Council.

Further, industry experts interviewed by Ipsos also shared the same view that reclamation is necessary for the long-term social and economic development in Hong Kong and the decline in the gross output value in the reclamation works industry and the marine construction works industry are temporary, and the marine construction works industry will grow again with the commencement of the upcoming large-scale reclamation projects.

According to the Ipsos Report, funding approval from the Legislative Council for (i) the planning and engineering study for both Lung Kwu Tan reclamation project and Siu Ho Wan reclamation project; and (ii) the reclamation works for the Upcoming Projects are the major hurdles that may result in further delays in the commencement of the aforesaid projects as the funding approval is subject to a number of factors, including public opinion, socio-political environment in Hong Kong and the financial position of the Government. However, Ipsos is of the view that the likelihood of these major hurdles causing further material delay to the commencement of the aforesaid projects is relatively low, given the long-term need for socio-economic development in Hong Kong and reclamation is considered as one of the long-term strategic options of increasing land supply in Hong Kong by the Government. Hence, our Directors are optimistic and consider that the reclamation works industry in Hong Kong will continue to grow in the long run.

During the Forecast Downturn, other on-going and under-planning marine construction projects are expected to continue to drive the marine construction works industry and the local vessel chartering industry in Hong Kong in the long term. For details, please refer to the section headed "Industry Overview" in this prospectus. Due to various entry barriers such as industry reputation and proven track record, established business network and high capital requirement faced by new entrants, our Directors believe that our Group has competitive advantages in bidding for the ongoing and under-planning marine construction works projects. On this basis, our Directors believe that there are sufficient market opportunities for marine construction works and vessel chartering services available for our Group to further develop our customer base, diversify our business operation, maintain our financial position and the temporary downturn trend will not affect our expansion plan to acquire vessels and expand our workforce as a whole as the additional vessels to be acquired under our future plans can generally be deployed for use in different types of marine construction projects, including port work projects, reclamation and non-reclamation projects or be chartered to our customers. For details, please refer to the paragraph headed "Business strategies – Acquisition of additional vessels and site equipment" in this section.

As for the expansion of workforce including recruitment of project management staff and other supporting staff including vessel crew, other marine construction works staff and site equipment operators, our Directors consider that apart from the vessel crew who are involved in marine construction works or vessel chartering arrangements, our staff can generally be deployed for marine construction works or other civil engineering works. As such, our Directors believe that the delay in the Upcoming Projects, which largely contributed to the Forecast Downturn, will not have a significant impact on our expansion plans.

(ii) Our Group's plan to maintain financial viability during the Forecast Downturn

Our Directors intend to during the Forecast Downturn, when appropriate and to the extent that it does not materially adversely affect our competitiveness, carry out a combination of the following actions and procedures with a view to maintain our financial viability, such include but not limited to:

(a) maintain sufficient cash balance for our daily operations during the Forecast Downturn;

(b) negotiate with financial institutions for additional long term banking facilities;

(c) offer a more competitive rate when competing for marine construction works contracts, other civil engineering works contracts and vessel chartering arrangements with a view to cover our fixed costs, and maintain a reasonable utilisation rate of vessels, site equipment and manpower;

(d) to the extent possible, negotiate with (aa) our customers for shorter credit periods; and (bb) our suppliers and sub-contractors for longer credit periods;

(e) seek better pricing terms from suppliers and sub-contractors with a view to maintain existing gross profit margin;

(f) reduce costs associated with non-site workers through salary and benefits reduction and/or redundancies;

(g) adjust site workers' remuneration packages from a fixed monthly rate to day rate; and/or

(h) negotiate with landlord with a view to reduce rental expenses and/or seek cheaper office alternatives.

(iii) Our Group can strategically compete for non-reclamation marine construction works during the Forecast Downturn which is mainly attributed by the decrease in gross output value of the reclamation works industry in Hong Kong

Despite the Forecast Downturn, the gross output value of the non-reclamation marine construction works, which also contributes to the marine construction works industry in Hong Kong, remains relatively stable throughout 2022 to 2026, ranging from approximately HK$11.6 billion in 2020 to approximately HK$8.6 billion in 2026. For details, please refer to the paragraph headed "Industry Overview – Overview of the marine construction industry in Hong Kong" in the prospectus.

During the Track Record Period, our Group has been a market player of the marine construction works industry in Hong Kong and is capable of undertaking and successfully completing both reclamation and non-reclamation marine construction works in Hong Kong. The following table sets forth the breakdown of our Group's revenue for marine construction works during the Track Record Period:

	For the year ended 31 May							
	2017		**2018**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Reclamation works	172,480	100.0	109,678	60.0	17,887	10.2	111,737	60.0
Non-reclamation marine construction works	–	–	73,028	40.0	157,373	89.8	74,590	40.0
Total marine construction works	172,480	100.0	182,706	100.0	175,260	100.0	186,327	100.0

The above table demonstrates that our Group is a competent subcontractor capable of undertaking and successfully completing both sizeable reclamation and non-reclamation marine construction projects, and is able to adjust our resources for different types of marine construction works in response to the changing market conditions and available opportunities at the relevant time. The track record not only demonstrates the competitive strengths of our Group in reclamation works, enabling us to capture the growth in reclamation works of the marine construction works industry in Hong Kong attributed to the 3RS project with gross output value of approximately HK$3.3 billion in 2016 increasing to approximately HK$8.3 billion in 2017 and approximately HK$16.8 billion in 2018, but also shows that our Group has bid for and been successfully awarded with non-reclamation marine construction works. For the year ended 31 May 2019, approximately 89.8% of our Group's revenue from marine construction works was derived from non-reclamation marine construction works and the contribution by reclamation works was reduced to approximately 10.2% only. The proportion of our Group's revenue derived from non-reclamation marine construction works and reclamation works during the Track Record Period generally depended on the available projects in the marine construction works industry and our Group's allocation of resources at the relevant time.

In view of the above and the fact that our Group's revenue from marine construction works only represented approximately 0.7% of the gross output value of the marine construction works industry in Hong Kong in 2019 according to the Ipsos Report, our Directors consider that our Group's sustainability does not depend on a booming reclamation works industry and there are still sufficient market opportunities in Hong Kong for our Group to increase our market presence despite the Forecast Downturn. In particular, our Directors consider that the gross output value of the marine construction works industry in Hong Kong between 2022 to 2026 at average of approximately HK$12.3 billion remains similar to that from 2013 to 2016 at average of approximately HK$15.0 billion, being the gross output value of the marine construction works industry in Hong Kong prior to the rise in the gross output value of the reclamation works industry in Hong Kong contributed by the 3RS project.

Hence, taking into account the modest market share of our Group in the marine construction industry in Hong Kong, our Group remains flexible and can be selective in the type and project size of marine construction works (reclamation or non-reclamation or both) our Group shall focus competing for. Leveraging the competitive strengths of our Group, in particular, (a) the capabilities of our Group to devise innovative method and approach for carrying out marine construction works and contribute technical advice to the customers; (b) the established reputation and proven track record of our Group in reclamation and non-reclamation marine construction works in Hong Kong, as demonstrated by our participation in the 3RS project, being one of the largest reclamation projects driving the reclamation works industry in Hong Kong during the Track Record Period, and other non-reclamation marine construction projects with revenue recognised as shown in the above table; and (c) our Group's experienced management, project management and supervision staff with extensive operational expertise and technical knowledge, our Directors consider that our Group is competitive in both reclamation and non-reclamation marine construction works and the marine construction works industry is adequate in size to support the growth of our Group despite the anticipated delay in the Upcoming Projects.

Going forward, our Group will strategically tender for non-reclamation marine construction works, which continue to contributes a stable gross output value to the marine construction industry in Hong Kong during the Forecast Downturn and continue to submit tenders/quotations for any additional marine construction projects which may from time to time be initiated in the public and private sectors, which may also contribute to the gross output value of the marine construction works industry in Hong Kong.

(iv) Our Group is able to compete for other civil engineering projects as well as vessel chartering arrangements to offset any decrease in marine construction projects during the Forecast Downturn

According to the Ipsos Report, the gross output value of the civil engineering works industry in Hong Kong will increase in a stable manner from approximately HK$52.9 billion in 2020 to approximately HK$62.9 billion in 2024, representing a CAGR of approximately 4.4%, and for the types of works which our Group has undertaken during the Track Record Period, i.e. foundation works, site formation works, and road and drainage works, the expected growth from 2020 to 2024 will be at a CAGR of approximately 4.5%, 2.7% and 3.0%, respectively.

The local vessel chartering industry in Hong Kong is also expecting a mild growth at a CAGR of approximately 1.6% from 2019 to 2026 despite a minor dip between 2021 to 2023. Although there is expected to be a temporary decrease in the gross output value of reclamation-related marine construction works in Hong Kong, the gross output value of non-reclamation marine construction works in Hong Kong are expected to remain largely stable during the Forecast Downturn and hence, there remains a stable level of demand for vessel chartering. According to the Ipsos Report, non-reclamation marine construction works had historically contributed a relatively stable output value to the marine construction works industry in Hong Kong between 2015 and 2019, among which the contribution from reclamation works to the marine construction works industry in Hong Kong during the same period increased significantly. Notwithstanding the significant increase in the gross output value of the reclamation works industry in Hong Kong between 2015 and 2019 at CAGR of approximately 46.1%, the gross output value of the local vessel chartering industry in Hong Kong remained largely stable with growth between 2015 and 2019 at CAGR of approximately 1.3% and the number of licensed vessels of class II vessels under the Merchant Shipping (Local Vessel) Ordinance (Cap. 548), which included vessels required to perform marine construction work (such as tugs, dredgers, barges, cargo light, dumb lighters and pilot boats) also remained stable and showed a modest upward trend from 2015 to 2019, ranging from 1,826 units to 1,915 units, demonstrating that the demand for local class II vessels was not significantly affected by the rise and fall in the reclamation works industry in Hong Kong, and the reclamation works industry in Hong Kong does not largely correlate with the local vessel chartering industry in Hong Kong. Thus, the demand for reclamation-related works in Hong Kong is only one of many demand factors for the local vessel chartering industry in Hong Kong.

As per the Ipsos Report, despite the Forecast Downturn, the local vessel chartering industry in Hong Kong is expected to be driven by large scale non-reclamation marine construction projects, such as Kai Tak development – infrastructure for developments at the former runway and south apron project with target completion in 2023, Central Kowloon Route – Kai Tak West project with target completion in 2023 and Trunk Road T2 and Cha Kwo Ling Tunnel – Construction projects with target completion in 2025. The aforementioned three projects have estimated total contract value ranging from approximately HK$1,480.0 million to

HK$7,500.0 million. For further details of other non-reclamation marine construction projects which may contribute to the demand for local vessel chartering, please refer to the table set out under the paragraph headed "Industry Overview – Overview of the marine construction works industry in Hong Kong" in this prospectus.

Besides, other civil engineering works on reclaimed land without direct and/or restricted land-based transportation after the land formation, including 3RS projects with target completion of land formation in or around mid 2021 and the entire project in 2024, the Tung Chung New Town project with target completion of land formation in 2023, and near-shore work sites involving other civil engineering works will also contribute to the demand for local vessel chartering as vessels are required for transportation of materials, machinery, site equipment and workers. In this connection, the abovementioned construction works will continue to contribute towards the ongoing demand for the chartering of vessels.

Furthermore, as per Ipsos Report, all of our self-owned vessels and vessels to be acquired using the net proceeds from the Share Offer could be deployed for use in not only reclamation projects, but also non-reclamation marine construction projects and other civil engineering works projects involving near-shore work sites.

Our Group has gradually developed a sizable level of other civil engineering works as well as vessel chartering services over the Track Record Period, which in aggregate contributed to (i) approximately 20.2%, 32.2%, 41.0% and 40.6% of our Group's recognised revenue for the years ended 31 May 2017, 2018, 2019 and 2020, respectively; and (ii) approximately 34.3%, 49.8%, 22.8% and 22.5% of our Group's gross profit for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. Such demonstrates our Group's proven track record and ability to compete for and be awarded with other civil engineering works and vessel chartering contracts in additional to our marine construction works. Our Group's competitiveness in other civil engineering works derives from utilising our marine construction capability in major earthworks projects as set out hereinbelow.

Our Directors consider that our Group can strategically tender/provide quotation for more other civil engineering works during the Forecast Downturn where the civil engineering industry in Hong Kong will maintain an increasing trend from 2020 to 2024 according to the Ipsos Report. In particular, according to the Ipsos Report, the estimated construction costs of other civil engineering works on the reclaimed land under the 3RS project amount to approximately HK$85.3 billion. Our Directors believe that our Group has competitive advantages in bidding for such other civil engineering works of the 3RS project due to, among others, (i) our Group had established a work relationship with a number of main contractors who have been awarded with sizeable civil engineering contracts in relation to the 3RS project; (ii) our Group's performance in the 3RS project-related marine construction works; (iii) accumulated through our Group's previous 3RS project work experience, our Group is familiar with general and specific requirements imposed by the Airport Authority in relation to 3RS-related construction works, including the low headroom compliance requirements, marine and land-based logistics arrangements and routing as well as environmental related requirements; (iv) our Group's experience in other civil engineering works, in particular, past experience in civil engineering works on reclaimed land and/or near-shore work sites including the projects located at 3RS, Sha Chau Island and Kai Tak; and (v) our Group's possession of a fleet of vessels to transport material, required machinery, site equipment and workers for projects without direct land-based transportation. Thus, our Group can strategically tender/provide quotation for such projects involving civil engineering works on reclaimed land and/or near-shore work site to achieve a higher tender/quotation success rate. For details of the major civil engineering works on reclaimed land in Hong Kong to be commenced and completed in the coming years, please refer to the section headed "Industry Overview" in this prospectus.

To facilitate such other civil engineering works on the reclaimed land of the 3RS project, including transportation of materials, machinery and/or site equipment and workers, it is expected that vessel chartering services would be demanded and required by the civil engineering works contractor, thus, such 3RS-related other civil engineering works or other civil engineering works on reclaimed land will also be a driver of the gross output value of vessel chartering industry in Hong Kong which has an expected growth at CAGR of approximately 1.6% from 2019 to 2026. In this connection, our Directors are confident on the overall industry outlook and our business strategy in maintaining a steady bidding for other civil engineering works and vessel chartering services.

Further to our Group's business strategy to compete for more other civil engineering works, our Group intend to strategically tender for contracts which are related to a large scale main contract, including suitable hospital projects under the 10-Year Hospital Development Plan (the "**10-Year HDP**") and other nearshore development projects. According to the Ipsos Report, the Government announced the 10-Year HDP in its 2016 policy address and has set aside a provision of HK$200 billion for the implementation of the 10-Year HDP which include construction of new hospitals and redevelopment of dozens of existing clinical facilities in the next 10 years after 2016. Many of these hospital development projects involve major civil engineering earthworks, and the 10 Year HDP is one of the major growth drivers of the civil engineering works industry in Hong Kong going forward.

During the year ended 31 May 2019, our Group was awarded with project 036 which involved the disposal of substantial amount of excavated earth materials arising from the other civil engineering part of the works for a hospital. With our expertise in reclamation works and our competitive advantage of owning a vessel fleet, our Group was able to deploy the excavated earth material, such as boulders and rocks, where appropriate, as reclamation material to be deposited at the designated reclamation sites. Our Directors consider that such arrangement was more cost effective for our Group's customers compared to the conventional methods as our Group was able to, under such arrangement, not only to perform the works in the other civil engineering projects, but also to reduce dumping costs which would otherwise be incurred by our customers. Our Directors are of the view that the aforesaid dual-purpose niche service has given our Group a competitive edge over other site formation contractors and other marine construction contractors in bidding for this type of works. Due to our Group's capability and performance in project 036, our Group was subsequently invited to provide quotation for project 057 with similar work nature for another hospital and was awarded with the project. Both project 036 and project 057 utilised our Group's dual-purpose niche service as set out above and were related to construction/redevelopment of hospitals.

Our Directors consider that our Group's participation in project 036 and project 057 would enable us to leverage our track record in hospital projects which involved major earthwork and compete for and seize suitable future business opportunities arising from the 10-Year HDP and other nearshore development projects whereby the aforesaid dual-purpose niche services offered by our Group will be a competitive advantage over other contractors. Depending on the market status of the marine construction works industry in Hong Kong at the relevant time, our Group may allocate more resources on as-considered-appropriate basis to cater for the 10-Year HDP as well as other nearshore development projects, as our Directors consider that there shall be ample opportunities available and it is also one of the major growth drivers of the civil engineering works in Hong Kong going forward.

On the other hand, our Group will continue to seek for opportunities for vessel chartering contracts. As at the Latest Practicable Date, our Group had three ongoing vessel chartering arrangements for 3RS-related projects of which we recognised revenue of approximately HK$1.6 million during the Track Record Period and an aggregate estimated amount of approximately HK$24.8 million is to be recognised subsequent to the Track Record Period. The size of two of the aforesaid vessel chartering arrangements is relatively small as to our Directors' understanding, they represent only the initial phase of the project when small amount of equipment is delivered to the reclaimed land. The remaining vessel chartering arrangement involves chartering of vessels such as special purpose vessel, dumb lighter and tug boat, and the charter period for the three vessel chartering arrangements are expected to be completed in April 2021 and May 2022.

(v) Our Group has a sizable backlog as at the Latest Practicable Date

Notwithstanding the Forecast Downturn and particularly for the downturn in the reclamation works sector as forecasted by Ipsos, our Group has secured a sizable backlog of HK$303.8 million as at the Latest Practicable Date, with outstanding aggregate contract value of approximately HK$165.2 million for marine construction works which are expected to be completed during the period from November 2020 to May 2022. For further details of the contracts on hand, please refer to the paragraph headed "Our marine construction and other civil engineering projects – Projects on hand" in this section.

As at the Latest Practicable Date, the estimated tender sum for tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitation to tender and to be submitted by us amounted to approximately HK$693.7 million, approximately HK$543.7 million of which are attributable to 10 tenders/quotations submitted but pending results, and the remaining of approximately HK$150.0 million is attributable to three invitations to tender/quotations open tenders for marine construction works or other civil engineering works, of which our Group will submit tender/quotation in response to invitation received. The expected timeframe for tender results of the aforesaid tenders/quotations ranged from fourth quarter of 2020 to second quarter of 2021 and the expected project timeframe ranged from 4 months to 60 months.

Even though we have already secured substantial contract works on hand with outstanding aggregate contract value to be recognised by our Group amounting to approximately HK$303.8 million as at the Latest Practicable Date, of which approximately HK$173.7 million and HK$130.1 million to be recognised, subject to the progress of the respective projects, for the remaining period of the years ending 31 May 2021 and 2022, respectively, our Group is already in the process of competing for and securing additional contract works for 2021 and 2022. For details, please refer to the paragraph headed "Future Plans and Use of Proceeds – Our potential projects subsequent to the Track Record Period" in the prospectus. Our Directors are of the view that the sizable backlog as at 31 May 2020 demonstrates that our Group are able to secure sizable contracts well in advance with completion of some of the projects in May 2022. Thus, given our proven and ongoing ability to compete effectively for contracts, our Directors are confident that our Group will be able to continue to secure projects during the financial year ending 31 May 2021 and beyond to secure revenue for our Group's sustainability during the Forecast Downturn.

For details of the projected industry development in the reclamation works, marine construction works, civil engineering works industry and local vessel chartering industry, please refer to the section headed "Industry Overview" in this prospectus. In view of the above, our Directors believe that our business operation after the Listing will continue to be driven by marine construction works and other civil engineering works complemented by vessel chartering services which is sustainable.

Contra-charge arrangements with our customers

It is a common practice in the construction industry for a customer to pay on behalf of its contractor for certain expenses in a project, and such expenses would be deducted from its payments to that contractor in settling its contractual fees for the project. Such payment arrangement is referred to as contra-charge arrangement and the amounts involved are referred to as contra-charge amounts.

During the Track Record Period, we had contra-charge arrangements with some of our customers. Such contra-charge included purchase of construction material, test and survey fees, leasing of site equipment and other miscellaneous expenses. Upon our request, or at the discretion of our customers, our customers may purchase construction materials such as sand blanket material and oil boom or pay miscellaneous expenses on our behalf, where we settled such amounts with our customers through contra-charge arrangement, whereby the payments due to us from our respective customers will be settled after offsetting such purchase costs or expenses paid. Our Directors confirmed that the contra-charge amounts during the Track Record Period were generally charged by the respective customers at cost.

For the years ended 31 May 2017, 2018, 2019 and 2020, the contra-charge amounts totalled to approximately HK$57,000, HK$321,000, HK$2.4 million and HK$7.0 million, respectively, representing less than 0.1%, approximately 0.1%, 1.0% and 2.6% of our direct costs for the same periods, respectively. The following table sets forth the contra-charge amounts with our major customers and their respective revenue contribution for each of the years ended 31 May 2017, 2018, 2019 and 2020:

	For the year ended 31 May							
	2017		2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Customer G								
Revenue derived and approximate % to our total revenue	17,490	8.1	–	–	–	–	–	–
Contra-charge amount and approximate % to our direct costs	17	<0.1	–	–	–	–	–	–
Bachy Soletanche – Sambo Joint Venture								
Revenue derived and approximate % to our total revenue	30,049	13.9	–	–	–	–	42,626	13.6
Contra-charge amount and approximate % to our direct costs	33	<0.1	–	–	–	–	88	<0.1
Customer A								
Revenue derived and approximate % to our total revenue	–	–	63,423	23.5	86,463	29.1	–	–
Contra-charge amount and approximate % to our direct costs	–	–	303	0.1	1,574	0.6	–	–
Huayuan Group								
Revenue derived and approximate % to our total revenue	33,127	15.3	42,919	15.9	–	–	2,616	0.8
Contra-charge amount and approximate % to our direct costs	8	<0.1	0.4	<0.1	–	–	69	<0.1
Customer C								
Revenue derived and approximate % to our total revenue	–	–	30,575	11.3	8,602	2.9	–	–
Contra-charge amount and approximate % to our direct costs	–	–	18	<0.1	856	0.4	–	–
Toko								
Revenue derived and approximate % to our total revenue	–	–	–	–	98,261	33.1	321	0.1

	For the year ended 31 May							
	2017		**2018**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Contra-charge amount and approximate % to our direct costs *(Note 1, 2)*	–	–	–	–	52,130	21.3	(322)	(0.1)
Ming Shing								
Revenue derived and approximate % to our total revenue	–	–	–	–	–	–	49,617	15.8
Contra-charge amount and approximate % to our direct costs *(Note 3)*	–	–	–	–	–	–	22,782	8.7
Customer F								
Revenue derived and approximate % to our total revenue	–	–	–	–	–	–	24,685	7.9
Contra-charge amount and approximate % to our direct costs *(Note 4)*	–	–	–	–	–	–	8,066	3.1
Customer E								
Revenue derived and approximate % to our total revenue	–	–	–	–	–	–	102,368	32.6
Contra-charge amount and approximate % to our direct costs	–	–	–	–	–	–	6,618	2.5
Customer H								
Revenue derived and approximate % to our total revenue	–	–	–	–	–	–	29,601	9.4
Contra-charge amount and approximate % to our direct costs	–	–	–	–	–	–	4,865	1.9

Notes:

1. The negative contra-charge amount recognised in the year ended 31 May 2020 reflects the amount overcharged by Toko during the year ended 31 May 2019, being the discrepancy in the contra-charge amount charged to our Group by Toko and the amount determined in the final account of the project.

2. Due to the contra-charge arrangement between (i) Toko and our Group; and (ii) our Group and Yat Shing Machine Engineering Company Limited ("**Yat Shing**"), as described under the paragraph headed "Contra-charge relationship with Toko and Yat Shing" below, the contra-charge amount of approximately HK$52.1 million was not included as direct costs of our Group for the year ended 31 May 2019. As such, the percentage of contra-charge amount with Toko based on our direct costs of approximately HK$244.5 million for the year ended 31 May 2019 which represent approximately 21.3% would not be a meaningful representation and hence, the percentage of direct costs with Toko of approximately 17.6% is arrived at contra-charge with Toko divided by the total of our direct costs plus the contra-charge with Toko.

3. Due to the contra-charge arrangement between (i) Ming Shing and our Group; and (ii) our Group and Yat Shing, as described under the paragraph headed "Contra-charge relationship with Ming Shing and Yat Shing" below, the contra-charge amount of approximately HK$22.8 million was not included as direct costs of our Group for the year ended 31 May 2020. As such, the percentage of contra-charge amount with Ming Shing based on our direct costs of approximately HK$262.6 million for the year ended 31 May 2020 which represent approximately 8.7% would not be a meaningful representation and hence, the percentage of direct costs with Ming Shing of approximately 7.3% arrived at contra-charge with Ming Shing divided by the total of our direct costs plus the contra-charge with Ming Shing, Customer E, Toko, Customer F and other counter-parties of contra-charge arrangement which are of similar nature.

4. Due to the contra-charge arrangement between (i) Customer F and our Group; and (ii) our Group and Subcontractor F, as described under the paragraph headed "Contra-charge relationship with Customer F and Subcontractor F" below, the contra-charge amount of approximately HK$8.1 million was not included as direct costs of our Group for the year ended 31 May 2020. As such, the percentage of contra-charge amount with Customer F based on our direct costs of approximately HK$262.6 million for the year ended 31 May 2020 which represent approximately 3.1% would not be a meaningful representation and hence, the percentage of direct costs with Customer F of approximately 2.6% arrived at contra-charge with Customer F divided by the total of our direct costs plus the contra-charge with Ming Shing, Customer E, Toko, Customer F and other counter-parties of contra-charge arrangement which are of similar nature.

5. Due to the contra-charge arrangement between (i) Customer E and our Group; and (ii) our Group and Subcontractor E, as described under the paragraph headed "Contra-charge relationship with Customer E and Subcontractor E" below, the contra-charge amount of approximately HK$6.6 million was not included as direct costs of our Group for the year ended 31 May 2020. As such, the percentage of contra-charge amount with Customer E based on our direct costs of approximately HK$262.6 million for the year ended 31 May 2020 which represent approximately 2.5% would not be a meaningful representation and hence, the percentage of direct costs with Customer E of approximately 2.1% arrived at contra-charge with Customer E divided by the total of our direct costs plus the contra-charge with Toko, Ming Shing and Customer F, Customer E and other counter-parties of contra-charge arrangement which are of similar nature.

Contra-charge relationship with Toko and Yat Shing

Toko is a private limited liability company incorporated in Hong Kong which is principally engaged in civil engineering works. It is a Group B (Probation) contractor registered in the List of Approved Contractors for Public Works for roads and drainage category. During the Track Record Period, we were awarded with an other civil engineering project as a subcontractor of Toko for subcontract works involving ELS works, pile cap works and associated works.

Pursuant to the contract with Toko, certain major materials such as concrete, waterproofing for concrete, reinforcement bars and structural steels used for the project by our subcontractor shall be purchased by Toko from suppliers nominated by Toko and Toko settled their payment of our subcontract works net of the costs for such purchases (the "**Toko Contra-charge Arrangements**"). Due to the nature of work and the types of major material which were directly purchased by Toko, such contra-charge amount was relatively high compared with the contra-charges incurred in other projects during the Track Record Period. Given our principal role in the project which involved site supervision and coordination of works in the project, we subcontracted a substantial part of the general civil works in this project to our subcontractor, namely, Yat Shing and the materials directly purchased by Toko were mainly used by Yat Shing for its subcontracting works. While Toko settled our payment after deducting the contra-charge amount, in turn, we also deducted the contra-charge amount being charged by Toko from our payment to Yat Shing in settling the subcontracting fees of Yat Shing. As the materials were in substance used by Yat Shing in performance of its subcontracting works.

Contra-charge relationship with Ming Shing and Yat Shing

Ming Shing is a private limited liability company incorporated in Hong Kong which is principally engaged in civil engineering and building works. It is a registered specialist trade contractor with the CIC with designated trade in concreting formwork, and a registered subcontractor for foundation and piling and general civil works. During the Track Record Period, we were awarded with an other civil engineering project as a subcontractor of Ming Shing for subcontract works involving ELS works and associated works.

Pursuant to the contract with Ming Shing, certain major materials such as concrete, reinforcement bars, structural steel, temporary working platform and capping plate used for the project by our subcontractor shall be purchased by Ming Shing from suppliers nominated by Ming Shing and Ming Shing settled their payment of our subcontract works net of the costs for such purchases (the "**Ming Shing Contra-charge Arrangements**"). Similar to the aforementioned contra-charge arrangements, the materials directly purchased by Ming Shing were mainly used by Yat Shing, our subcontractor for its subcontracting works. Ming Shing settled our payment after deducting the contra-charge amount, and in turn, we deducted the contra-charge amount being charged by Ming Shing from our payment to Yat Shing in settling the subcontracting fees of Yat Shing who in substance used the materials in performance of its subcontracting works.

Contra-charge relationship with Customer F and Subcontractor F

Customer F is a private limited liability company incorporated in Hong Kong which is principally engaged in civil engineering works. It is a registered subcontractor with the CIC for foundation and piling and general civil works. During the Track Record Period, we were awarded with an other civil engineering project as a subcontractor of Customer F for subcontract works involving piling works, grout curtain, pumping test, ELS works and associated works.

Pursuant to the contract with Customer F, certain major material such as sheet pile used for the project by our subcontractor shall be purchased by Customer F from suppliers nominated by Customer F and Customer F settled their payment of our subcontract works net of the costs for such purchases (the "**Customer F Contra-charge Arrangements**"). Similar to the abovementioned contra-charge arrangements, the materials directly purchased by Customer F were mainly used by Subcontractor F, our subcontractor for its subcontracting works. Customer F settled our payment after deducting the contra-charge amount, and in turn, we deducted the contra-charge amount being charged by Customer F from our payment to Subcontractor F in settling the subcontracting fees of Subcontractor F who in substance used the materials in performance of its subcontracting works.

Contra-charge relationship with Customer E and Subcontractor E

Customer E is a subsidiary of a company whose shares are listed on the Main Board and is principally engaged in site formation works. It is a registered subcontractor with the CIC for structural steelwork and general civil works. During the Track Record Period, we were awarded with a project as a subcontractor of Customer E for subcontract works involving site formation and reclamation works. Pursuant to the contract with Customer E, certain material such as concrete used for the project by our subcontractor shall be purchased by Customer E from suppliers nominated by Customer E and Customer E settled their payment of our subcontract works net of the costs for such purchases (the "**Customer E Contra-charge Arrangements**"). Similar to the abovementioned contra-charge arrangements, the materials directly purchased by Customer E were mainly used by Subcontractor E, our subcontractor for its subcontracting works. Customer E settled our payment after deducting the contra-charge amount, and in turn, we deducted the contra-charge amount being charged by Customer E from our payment to Subcontractor E in settling the subcontracting fees of Subcontractor E who in substance used the materials in performance of its subcontracting works.

The Toko Contra-charge Arrangements, Ming Shing Contra-charge Arrangements Customer F Contra-charge Arrangements, and Customer E Contra-charge Arrangements were recognized in accordance with paragraph 33 of Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements".

The projects which adopted the abovementioned contra-charge arrangements were awarded to us by our customers after a competitive quotation process whereby we submitted our quotations in accordance with our customers' requirements and were subsequently notified of our successful quotation by our customers. To the best knowledge and belief of our Directors, none of our Group, our Directors or their respective close associates or the sole Shareholder (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company) has any existing relationships, business or otherwise, with Toko, Ming Shing, Yat Shing, Customer F, Subcontractor F, Customer E or Subcontractor E and that each of Toko, Ming Shing, Yat Shing, Customer F, Subcontractor F, Customer E or Subcontractor E is an Independent Third Party.

Our Directors confirm that we had no material dispute with our customers in regards to the contra-charge arrangements and the contra-charge amounts involved which would have had a material impact on our business, financial condition or results of operations during the Track Record Period.

OUR SUPPLIERS

Our suppliers (excluding our subcontractors) include providers for diesel fuel and raw materials such as sand blanket material, geotextile material and spare parts, and service providers for chartering, leasing or maintenance of vessels and site equipment. For details of our subcontracting arrangement, please refer to the paragraph headed "Our suppliers – subcontracting" in this section. We generally place order with our suppliers on a project-by-project basis and we did not enter into any long-term contract with our suppliers during the Track Record Period. Generally, the price for our supplies or required services is determined by reference to a pre-agreed quotation or a supply agreement, on an order-by-order basis. The terms of our supply contracts generally include the type of supplies or services required, the price, the quantity of materials or duration of services and the payment terms. For certain construction materials such as sand blanket material, we may also enter into supply agreements with our suppliers for the supply of a fixed quantity of the material at a fixed rate to be delivered within a fixed time period so as to ensure we have a stable supply.

We generally select our suppliers from our approved suppliers list which has been compiled after considering factors including (i) quality of product/services; (ii) delivery time; (iii) previous business experience with the supplier; and (iv) reputation of the supplier. Depending on the requirement of our customers, we may be responsible for purchasing raw materials such as sand blanket material and geotextile material for our projects. From time to time, we may also be required to source certain materials from suppliers nominated by our customers. Generally, there are a number of suppliers providing supplies/services of a similar nature in Hong Kong, as such, our Directors consider we do not over rely on our suppliers and that it is not difficult to locate and engage alternative suppliers for the supplies or services required by us.

For the years ended 31 May 2017, 2018, 2019 and 2020, the costs recognised for our top five suppliers (excluding any entities which may be viewed as our suppliers solely attributable to contra-charge arrangements due to supplies to our subcontractors) amounted to approximately HK$65.8 million, HK$75.7 million, HK$35.6 million and HK$21.2 million, representing approximately 59.7%, 71.5%, 72.1% and 66.7% of our cost of supplies, respectively. During the same period, the costs recognised for our largest supplier accounted for approximately 15.5%, 28.4%, 27.8% and 23.0% of our cost of supplies, respectively.

Our suppliers generally grant us a credit period of 0 to 30 days for settling their invoices and we generally settle the payment by cheque. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our contracts due to material shortages or delays in supplies of material or services.

The following tables set forth the details of our top five suppliers (excluding any entities which may be viewed as our suppliers solely attributable to contra-charge arrangements) in terms of material/ service costs recognised during the Track Record Period:

For the year ended 31 May 2017

Supplier	**Types of goods/services provided**	**Costs recognised**	**Approximate % of our cost of supplies**	**Commencement of business relationship with our Group since**
		HK$'000	*%*	
Bright Well Holdings Limited *(Note 1)*	Supply of sand blanket material	17,061	15.5	2016
Supplier A *(Note 2)*	Chartering of vessels	16,361	14.8	2015
Alliance Construction Materials Limited *(Note 3)*	Supply of sand blanket material	15,508	14.1	2017
Group Supplier B *(Note 4)*	Supply of vessel equipment and vessel and equipment examination	8,894	8.1	2016
Chi Keung Transportation Company Limited *(Note 5)*	Chartering of vessels	7,929	7.2	2015
	Top five suppliers combined	65,753	59.7	
	All other suppliers combined	44,569	40.3	
	Total	110,322	100.0	

For the year ended 31 May 2018

Supplier	Types of goods/services provided	Costs recognised	Approximate % of our cost of supplies	Commencement of business relationship with our Group since
		HK$'000	*%*	
Supplier A *(Note 2)*	Chartering of vessels	30,124	28.4	2015
Chi Keung Transportation Company Limited *(Note 5)*	Chartering of vessels	17,568	16.6	2015
Supplier C *(Note 6)*	Chartering of vessels	12,060	11.4	2016
Moon Kee Marine Transportation Co *(Note 7)*	Chartering of vessels	11,081	10.5	2015
Success Oil Co. *(Note 8)*	Supply of diesel fuel	4,901	4.6	2016
	Top five suppliers combined	75,734	71.5	
	All other suppliers combined	30,248	28.5	
	Total	105,982	100.0	

For the year ended 31 May 2019

Supplier	Types of goods/services provided	Costs recognised	Approximate % of our cost of supplies	Commencement of business relationship with our Group since
		HK$'000	*%*	
Supplier A *(Note 2)*	Chartering of vessels	13,713	27.8	2015
Moon Kee Marine Transportation Co *(Note 7)*	Chartering of vessels	7,677	15.6	2015
Forest International (H.K.) Limited *(Note 10)*	Supply of sand blanket material	6,185	12.5	2018
Chi Keung Transportation Company Limited *(Note 5)*	Chartering of vessels	4,444	9.0	2015
Fulmar Shipping Limited *(Note 9)*	Chartering of vessels	3,558	7.2	2017
	Top five suppliers combined	35,577	72.1	
	All other suppliers combined	13,739	27.9	
	Total	49,316	100.0	

For the year ended 31 May 2020

Supplier	Types of goods/services provided	Costs recognised	Approximate % of our cost of supplies	Commencement of business relationship with our Group since
		HK$'000	*%*	
Yau Choi Lee Group(Note 11)	Chartering of vessels, leasing of site equipment and supply of steel materials	7,311	23.0	2015
Supplier D/ Customer H (Note 12)	Supply of chemicals	4,865	15.3	2019
Success Oil Co.(Note 8)	Supply of diesel fuel	3,789	11.9	2016
Fulmar Shipping Limited (Note 9)	Chartering of vessels	2,938	9.2	2017
Supplier A(Note 2)	Chartering of vessels	2,336	7.3	2015
	Top five suppliers combined	21,239	66.7	
	All other suppliers combined	10,599	33.3	
	Total	31,838	100.0	

Notes:

1. A private limited company incorporated in Hong Kong which is principally engaged in trading of sand.

2. A limited liability company incorporated in Hong Kong which is principally engaged in vessel chartering and related services. It is a subsidiary of a company listed on the Main Board.

3. A concrete and aggregate supplier based in Hong Kong which is a joint venture owned by (i) a company listed on the Main Board which is a global infrastructure player; and (ii) an international construction and building materials provider listed on the Frankfurt Stock Exchange and Munich Stock Exchange.

4. Two private limited companies incorporated in Hong Kong which are under common control providing vessel equipment, vessel chartering, marine licensing service and related services.

5. A private limited company incorporated in Hong Kong providing vessel chartering services.

6. A limited liability company incorporated in Hong Kong which is principally engaged in vessel chartering. It is an associate company of a company listed on the Main Board.

7. A sole proprietorship established in Hong Kong providing vessel chartering services.

8. A sole proprietorship established in Hong Kong which is engaged in trading of oil.

9. A private limited company incorporated in Hong Kong providing vessel chartering services.

10. A private limited company incorporated in Hong Kong which is principally engaged in trading of sand.

11. Yau Choi Lee Group consists of Yau Choi Lee Engineering Company Limited, being a construction contractor incorporated as a limited liability company in Hong Kong, and Yau Choi Lee Engineering Company, being a sole proprietor construction contractor established in Hong Kong, which are under common control.

12. A private limited company incorporated in Hong Kong which is principally engaged in providing integrated and sustainable environmental services.

Lucky State Holdings Limited ("**Lucky State**") is a limited company incorporated in Hong Kong in 2016 founded by Mr. Sherman Heung and an Independent Third Party. From 27 June 2016 onwards, Supplier C was held by Lucky State as to 40% and three other shareholders who were Independent Third Parties as to 20% each. From 18 July 2016 and prior to the disposal of Mr. Sherman Heung's shareholding on 16 May 2018, Lucky State was held by Mr. Sherman Heung as to 25% and eight other shareholders who were Independent Third Parties as to 25%, 10%, 10%, 10%, 5%, 5%, 5%, and 5% each.

During the period between November 2016 to December 2016, Kat Yue entered into four vessel chartering arrangements with Supplier C pursuant to which Kat Yue chartered four special purpose vessels from Supplier C for its marine construction works in the ordinary course of our Group's business. The costs recognised for such vessels chartered from Supplier C for the years ended 31 May 2017, 2018, 2019 and 2020 was approximately HK$6.3 million, HK$12.1 million, nil and nil, respectively. Our Directors consider that the vessel chartering arrangements were in the ordinary course of our Group's business and the costs incurred were determined with reference to the market price for similar vessel chartering arrangements payable to Independent Third Party.

As Mr. Sherman Heung decided to focus his attention and efforts in the management of our Group, he disposed of his entire shareholding in Lucky State to one of the existing shareholders of Lucky State on 16 May 2018 at a consideration determined with reference to the net asset value of Lucky State. Further, in July 2018, Kat Yue purchased two special purpose vessels from Supplier C for its marine construction works in the ordinary course of our Group's business. The aggregate consideration paid by Kat Yue for the two special purpose vessels was approximately HK$12.8 million which our Directors considered to be in line with the prevailing market rate at the relevant time.

Save as disclosed above, to the best knowledge of our Directors, our top five suppliers during the Track Record Period are Independent Third Parties and none of our Directors or sole Shareholder who owns more than 5% of the issued share capital of our Company or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

Subcontracting

Based on our considerations of our internal resource, cost effectiveness and complexity of the works involved, we may subcontract part of a project such as laying geotextile material, general civil works and surveying works to our subcontractors. According to the Ipsos Report, it is common to have multilayer subcontracting in the marine construction works industry and other civil engineering works industry in Hong Kong.

For works subcontracted by us, we generally have to bear responsibilities in respect of the defective works and/or delays in works performed by our subcontractors. Hence, we adopt a stringent selection process of our subcontractors to ensure the quality of their works are up to our standard. We maintain an internally approved list of subcontractors, which is subject to our periodic review based on a number of factors, including: (i) obedience to instructions; (ii) timely delivery of work; (iii) quality of work performed; (iv) safety and environmental compliance; and (v) overall performance.

We generally invite relevant subcontractors from our approved subcontractors list for quotation when subcontracting works are required. The terms of our contracts with subcontractors will vary depending on the terms of the contracts with our customers and/or the type of subcontracting work involved. The following are in general the principal terms included in a typical contract entered into between us and our subcontractor for major works:

Major contract terms		**Description**
Type and scope of works	:	The scope of services and type of works to be carried out by our subcontractors are specified in the contract.
Duration of work	:	The duration for which the subcontracting work shall be completed as specified in the contract.
Subcontracting fee	:	The subcontracting fee may be a lump sum fee or based on the unit fee in the form of bill of quantities subject to re-measurement.
Payment term	:	Depending on the nature and type of subcontracting work, our subcontractors generally submit payment applications or invoices to us on a monthly basis and the credit term is generally 0 to 60 days from the date of the payment application to us or invoice date.
Defects liability period	:	Depending on the nature and type of work, our Group may specify a defects liability period during which our subcontractors are responsible for rectification of all defects identified by us and/or our customers.
Retention monies	:	We are generally entitled to withhold 5.0% to 10.0% of each progress payment due to our subcontractors as retention monies, but the total amount of retention monies shall not exceed approximately 2.5% to 5.0% of the total sum of the contract.
Termination	:	Our Group has the right to terminate the contract under certain circumstances, including (i) failure in performing the subcontracting works by the subcontractor; or (ii) the subcontractor committing persistent breaches of its obligations under the contract.

For the years ended 31 May 2017, 2018, 2019 and 2020, our subcontracting costs amounted to approximately HK$52.4 million, HK$67.6 million, HK$172.4 million and HK$201.7 million, representing approximately 27.9%, 29.8%, 70.5% and 76.8% of our direct costs, respectively. For the same periods, the subcontracting costs attributable to our top five subcontractors amounted to approximately HK$51.0 million, HK$64.6 million, HK$167.3 million and HK$189.9 million, respectively, representing approximately 97.4%, 95.6%, 97.1% and 94.1% of our total subcontracting costs, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material difficulties in identifying or engaging subcontractors for our works or services required.

Our subcontractors generally grant us a credit period of 0 to 60 days for settling their invoices and we generally settle the payment by cheque. Our Directors considered that we have formed a stable relationship with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the projects awarded to them during the Track Record Period.

The following tables set forth the details of our top five subcontractors in terms of subcontracting costs recognised by our Group during the Track Record Period:

For the year ended 31 May 2017

Subcontractor	Types of works performed/ services provided	Subcontracting costs recognised	Approximate % of our total subcontracting costs	Commencement of business relationship with our Group since
		HK$'000	*%*	
Tung Tai Construction Engineering Limited *(Note 1)*	Geotextile laying	21,982	42.0	2016
Group Subcontractor A/Group Supplier B *(Note 2)*	Vessel related services	16,600	31.7	2016
Concordance Engineering & Surveying Service Company Limited *(Note 3)*	Surveying works	5,635	10.8	2016
Subcontractor B *(Note 4)*	General civil works	4,775	9.1	2016
Subcontractor C *(Note 5)*	Marine related works	1,988	3.8	2017
	Top five subcontractors combined	50,980	97.4	
	All other subcontractors combined	1,386	2.6	
	Total	52,366	100.0	

For the year ended 31 May 2018

Subcontractor	Types of works performed/ services provided	Subcontracting costs recognised	Approximate % of our total subcontracting costs	Commencement of business relationship with our Group since
		HK$'000	*%*	
Yau Choi Lee Group *(Note 6)*	Regulation and deposition of sand blanket	35,785	52.9	2015
Concordance Engineering & Surveying Service Company Limited *(Note 3)*	Surveying works	10,889	16.1	2016
Subcontractor C *(Note 5)*	Marine related works	8,916	13.2	2017
Tung Tai Construction Engineering Limited *(Note 1)*	Geotextile laying	4,778	7.1	2016
Hung Wei Construction Engineering Limited *(Note 7)*	Provision and erection of silt curtain	4,275	6.3	2016
	Top five subcontractors combined	64,643	95.6	
	All other subcontractors combined	2,997	4.4	
	Total	67,640	100.0	

For the year ended 31 May 2019

Subcontractor	Types of works performed/ services provided	Subcontracting costs recognised	Approximate % of our total subcontracting costs	Commencement of business relationship with our Group since
		HK$'000	*%*	
Yat Shing *(Note 8)*	ELS works and pile cap works	92,732	53.8	2018
Yau Choi Lee Group *(Note 6)*	Pipeline removal works and regulation and deposition of sand blanket	64,140	37.2	2015
Hung Wei Construction Engineering Limited *(Note 7)*	Provision and erection of silt curtain	3,801	2.2	2016
Cheung Kei Construction Engineering Limited *(Note 9)*	Pipeline removal works	3,623	2.1	2018
Hung Chong (Foundation) Construction Company *(Note 10)*	Pipeline support works	3,040	1.8	2018
	Top five subcontractors combined	167,336	97.1	
	All other subcontractors combined	5,025	2.9	
	Total	172,361	100.0	

From the year ended 31 May 2020

Subcontractor	Types of works performed/ services provided	Subcontracting costs recognised	Approximate % of our total subcontracting costs	Commencement of business relationship with our Group since
		HK$'000	*%*	
Yau Choi Lee Group (Note 6)	Removal of core rock materials	73,288	36.3	2015
Yat Shing (Note 8)	ELS works and pile cap works	47,799	23.7	2018
Subcontractor E (Note 12)	Excavation and disposal of rock materials	34,283	17.0	2019
Chung Shun (Note 11)	Foundation works, ELS works and pile cap works	19,200	9.5	2019
Subcontractor F (Note 13)	Pipe piling works, grout curtain and pumping test	15,375	7.6	2019
	Top five subcontractors combined	189,945	94.1	
	All other subcontractors combined	11,788	5.9	
	Total	201,733	100.0	

Notes:

1. A construction contractor incorporated as a limited liability company in Hong Kong.

2. Two private limited companies incorporated in Hong Kong which are under common control providing vessel equipment, vessel chartering, marine licensing services and related services.

3. A limited liability company incorporated in Hong Kong which is engaged in provision of surveying works.

4. A limited liability company incorporated in Hong Kong which is engaged in provision of civil works. The sole shareholder of Hung Wei Construction Engineering Limited holds 50% shareholding in Subcontractor B.

5. A sole proprietor construction contractor established in Hong Kong.

6. Yau Choi Lee Group consists of Yau Choi Lee Engineering Company Limited, being a construction contractor incorporated as a limited liability company in Hong Kong, and Yau Choi Lee Engineering Company, being a sole proprietor construction contractor established in Hong Kong, which are under common control.

7. A construction contractor incorporated as a limited liability company in Hong Kong. The sole shareholder of Hung Wei Construction Engineering Limited holds 50% shareholding in Subcontractor B.

8. A construction contractor incorporated as a limited liability company in Hong Kong.

9. A construction contractor incorporated as a limited liability company in Hong Kong.

10. A partnership construction contractor established in Hong Kong.

11. A construction contractor in Hong Kong which is principally engaged in provision of foundation works and ancillary services, and heavy duty machines business, being a subsidiary of a company whose shares are listed on the Main Board.

12. A sole proprietor construction contractor established in Hong Kong.

13. A construction contractor incorporated as a limited liability company in Hong Kong.

Save as disclosed in the section headed "Discontinued Connected Transactions" in this prospectus, to the best knowledge of our Directors, our top five subcontractors during the Track Record Period are Independent Third Parties and none of our Directors or sole Shareholder who owns more than 5% of the issued share capital of our Company or their respective close associates had any interest in any of our top five subcontractors during the Track Record Period.

Concentration of suppliers and subcontractors

For the years ended 31 May 2017, 2018, 2019 and 2020, our largest supplier accounted for approximately 15.5%, 28.4%, 27.8% and 23.0% of our cost of supplies, respectively, whereas our top five suppliers accounted for approximately 59.7%, 71.5%, 72.1% and 66.7% of our cost of supplies for the corresponding period. For the same periods, our largest subcontractor accounted for approximately 42.0%, 52.9%, 53.8% and 36.3% of our total subcontracting costs whereas our top five subcontractors accounted for approximately 97.4%, 95.6%, 97.1% and 94.1% of our total subcontracting costs, respectively. In spite of such, our Directors consider that we are not overly reliant on any single supplier or subcontractor taking into consideration that:

(i) save for Supplier A who was one of our top five suppliers for each of the four years ended 31 May 2020 during the Track Record Period, none of our other suppliers were consistently our top five suppliers for each of the financial year during the Track Record Period;

(ii) none of our subcontractors were consistently our top five subcontractors for each of the financial year during the Track Record Period;

(iii) some of our projects undertaken during the Track Record Period were of a relatively large contract sum and lasted for a relatively longer period of time, and such resulted in a supplier or subcontractor becoming one of our largest suppliers or subcontractors in a financial year due to substantial purchase costs or subcontracting costs payable to that supplier or subcontractor (as the case may be); and

(iv) we maintained an approved suppliers and subcontractors list which is reviewed and updated periodically. Our Directors consider there is abundance suppliers and subcontractors providing similar materials or services (as the case may be) in the market and that our list of approved suppliers and subcontractors which contain 149 and 29 approved suppliers and subcontractors, respectively, as at the Latest Practicable Date assures a reasonable diversified base of reliable suppliers and subcontractors which meet our quality standards.

OUR VESSELS AND SITE EQUIPMENT

We rely on the use of vessels, which are specially equipped for carrying out different types of marine construction works, and other site equipment which could be used for both our marine construction works and other civil engineering works. As at the Latest Practicable Date, the major vessels and site equipment we owned include tug boat, dumb lighter, work boat, multi-purposes vessel, special purpose vessels, AIS, GPS, excavators and generators. For the years ended 31 May 2017, 2018, 2019 and 2020, our Group acquired vessels and site equipment in the sum of approximately HK$14.1 million, HK$12.4 million, HK$24.1 million and HK$13.7 million, respectively. As at 31 May 2020, the aggregate book value of our vessels and site equipment was approximately HK$47.8 million.

Set out below are details of our major type of vessels and site equipment, their respective function and usage and their average remaining useful lives as at the Latest Practicable Date:

Vessels or site equipment	**Number**	**Function and usage**	**Average remaining useful life (year)** *(Note)*
Tug boat	1	maneuvering other vessels by pushing or pulling them either by direct contact or by means of a tow line	9.4
Work boat	1	(i) towing special purpose vessels for reclamation works; (ii) assisting vessels in mooring process; (iii) collecting water samples for testing; and (iv) removing of marine waste from local waters	7.6
Special purpose vessel	6	can be altered and equipped with different site equipment such as excavator, generator and reclamation equipment for carrying out different types of marine construction works after approval of plans obtained from the Marine Department	6.9
Multi-purposes vessel	1	transporting passengers from point-to-point and/or maneuvering other vessels by pulling them by means of a tow line	9.0
Dumb lighter	1	transport/unloading/loading goods, containers or materials to and from moored vessels	9.5
AIS	23	tracking and monitoring of vessel movements	Nil
GPS	18	tracking location of vessels	Nil
Excavator	2	digging of landscape areas and shifting large amount of earth	3.3
Generator	6	provision of energy/power for operation	3.5

Note: The average remaining useful life of our vessels and site equipment as set out in the above table is based on the weighted average of the remaining depreciable period of each unit of vessels and site equipment determined in accordance with our applicable accounting policies, under which the depreciation is calculated using the straight line method to allocate their costs, after taking into account of their respective estimated residual values, over the estimated useful lives. The principal annual rates used for calculation of depreciation for our vessels and site equipment range from 10.0% to approximately 33.3%. When any vessel and site equipment is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.

Utilisation rate

We maintain an internal record of the usage of our vessels, including the duration of use and the marine construction projects or vessel chartering arrangements for which the vessels were deployed to. Based on such record, the following table sets out the utilisation rate of our major types of vessels during the Track Record Period:

	For the year ended 31 May			
	2017	**2018**	**2019**	**2020**
Vessels	**Utilisation rate (%)** *(Note 1)*			
Dumb lighter *(Note 2)*	N/A	100.0	98.3	100.0
Work boat	N/A	N/A	100.0	100.0
Special purpose vessels	100.0	100.0	98.7	100.0
Multi-purpose vessel *(Note 3)*	N/A	N/A	N/A	100.0
Tug boat *(Note 3)*	N/A	N/A	N/A	100.0

Notes:

1. Calculation of utilisation rate for the years ended 31 May 2017, 2018, 2019 and 2020 is based on the number of days that the vessels (self-used or chartered to our customers) were utilised during the respective year which is then divided by the number of days for which the vessels existed during the financial year, less the actual number of days for repair and maintenance. The utilisation rates serve as a presentation method which may not have direct linkage with our Group's profits. Apart from the utilisation rate, our Group's profits are also affected by various factors including the changes in fixed and variable costs for each vessel.

2. During the year ended 31 May 2019, one dumb lighter was disposed given the Company considered that its size and capacity (being 226 tonnes) was not suitable for our current and future needs. Our Group acquired one dumb lighter (being 1,358 tonne) during the year ended 31 May 2020 for our business operation.

3. The multi-purpose vessel and tug boat were acquired during the year ended 31 May 2020.

Safe keeping of vessels and site equipment

During the Track Record Period and up to the Latest Practicable Date, when our vessels were not deployed to a particular project, chartered to our customers or located at the relevant construction site at sea, they would be lodged at typhoon shelters in Hong Kong, which are free of charge for Hong Kong local vessels. Our major site equipment which include AIS and GPS are generally installed on our self-owned vessels and on vessels chartered by us and our excavators and generators are generally stored on our vessels or construction sites.

Repair and maintenance and replacement

During the Track Record Period, our vessels and site equipment would be subject to normal wear and tear and are generally sent to third party service providers for repair and maintenance. For the years ended 31 May 2017, 2018, 2019 and 2020, the total costs incurred by our Group in relation to the repair and maintenance of our vessels and site equipment were approximately HK$0.1 million, HK$0.5 million, HK$1.4 million and HK$1.5 million, respectively. Our vessels are also required to be surveyed annually by qualified vessels surveyors or surveying organisations in Hong Kong so as to maintain a valid certificate of survey as required under Hong Kong laws.

We adopt a straight-line depreciation policy on our vessels (i.e. 10 years), and site equipment (i.e. three to five years), which our Directors considered to be in line with the industry norm. Similar to other plants and equipment, we determine the useful life and residual value of our vessels and site equipment based on various factors, such as the expected usage of the asset and expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to Notes 2 and 3 of the Accountants' Report set out in Appendix I to this prospectus.

The useful life for the vessels and site equipment pursuant to the accounting policy serves as a referencing figure having considered the industry norm and regulatory environment relating to our business operations. Our Directors consider that with proper maintenance, the operational life of our vessels and site equipment could exceed their respective useful lives under our depreciation policy. As at the Latest Practicable Date, the average remaining useful life of our vessels and site equipment was approximately 7.7 years and 0.6 year, 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 vessels and site equipment.

Vessels chartered and site equipment leased from our suppliers

During the Track Record Period, our Group also chartered vessels including crane barge, dumb lighter, tug boat, passenger boat, work boat and flat top barge from our suppliers for our marine construction work and other vessels as required by our customers for our vessel chartering services when we do not have sufficient number/type of vessel required. We leased site equipment, such as (i) real-time monitoring and tracking system such as HAMU which are installed on our vessels for monitoring the highest altitude of operating site equipment within the airport height limit for our marine construction works; and (ii) excavators and hydraulic drills for our other civil engineering works. For the years ended 31 May 2017, 2018, 2019 and 2020, our expenses for chartering vessels and leasing site equipment amounted to approximately HK$45.7 million, HK$85.1 million, HK$31.6 million and HK$14.3 million, respectively. As we continue to expand our vessel fleet and acquire additional site equipment, our Directors intend to reduce reliance on our suppliers as well as improve the financial performance of our Group. For details of our plans for acquisition of vessels and site equipment, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

QUALITY CONTROL

We take an active approach to monitor the progress of each project. Our foreman is responsible for supervising the day to day activities at each site, including those executed by our subcontractors in accordance with the construction programme. Our site agent will visit our project sites regularly to resolve any issues with our project management team on a timely basis. Our project manager will monitor the overall project status, note for any issues arising from the execution of the project and will timely report to our executive Directors on the project status and any matters of concerns. For details of their qualifications and experiences, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

We closely monitor the quality of construction materials purchased. To ensure the quality of our supplies, apart from materials sourced from suppliers nominated by our customers, we ensure that all construction materials are sourced from suppliers on our approved suppliers list which is reviewed periodically. The materials are generally sent directly to the relevant work sites for inspection by our foremen before utilisation. During the inspection, we will check (i) whether the quantity is correct; and (ii) whether there are any observable defects. In addition, for certain materials such as sand, steel and concrete, independent professionals may be engaged by our customers to perform inspection and quality tests. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any quality control issues in respect of works delivered by us to our customers, materials or services supplied by our suppliers or works delivered by our subcontractors which would had a material impact on our business, financial or results of operation.

MAJOR QUALIFICATIONS, LICENCES AND CERTIFICATIONS

During the Track Record Period, we acted as subcontractor to our customers for the marine construction or other civil engineering works undertaken by us. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, all projects undertaken by our Group during the Track Record Period had one or more than one contractor registered with the Buildings Department or any other authorities (as the case may be) where required. On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with any relevant authorities during the Track Record Period. We have also obtained the operating licence issued by the Marine Department for each of the vessels in our vessel fleet which is required for operation of vessels in the waters in Hong Kong.

To enhance our recognition in the industry, our Group was registered as a registered subcontractor under the Subcontractors Registration Scheme of the CIC since March 2015. Our Group has also been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019. The following table sets out the details of such registrations held by our Group as at the Latest Practicable Date:

Type of registration	Issuing authority	Issued to	Trade group/ category	Trade specialty	Date of expiry	Authorised contract value
Registered specialist trade contractor	CIC	Kat Yue	–	Concreting formwork, concreting and reinforcement bar fixing	19 March 2024	Not applicable
Registered subcontractor	CIC	Kat Yue	Structural and civil	Foundation and piling – sheet piles, structural steelwork, general civil works – earthwork and general civil works – marine works	19 March 2024	Not applicable
Approved contractor for public works	Development Bureau	Kat Yue	Port Works – Group B (probation)	–	Not applicable *(Note)*	Up to HK$300 million

Note: Registration or qualification with the Development Bureau is not subject to renewal condition. For the criteria and requirements for obtaining and retention of qualified status, please refer to the criteria and requirements set out in the paragraphs below for further details.

Under the Subcontractors Registration Scheme, the registration of a registered subcontractor is valid for three years or five years from the approval date and application for renewal should be submitted within three months before the expiry of the current registration, whereas the registration of a registered specialist trade subcontractor is valid for not less than three years from the approval date and application for renewal should be made not earlier than six months before and not later than three months before the expiry date of the current registration. The applicant shall provide information and supporting documents for the renewal application to demonstrate continued compliance with the entry requirements.

As for the admission as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works, a contractor is required to meet, among others, certain technical, personnel, management and financial criteria for such admission and for the award of public works contracts for port works. According to the Contractor Management Handbook published by the Development Bureau, a contractor must demonstrate (i) satisfactory completion of one port works contract within the past five years for which the contract shall be of value over 50% of the Group B limit (being HK$300 million currently), and having experience as a subcontractor in the first tier level (i.e. undertaking a subcontract with the main contractor) will also be accredited; (ii) at least one member of the resident top management (which shall be the chairman, director, managing director, executive director or general manager) shall have a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years; and (iii) at least one technical staff with the following qualifications: (a) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or (b) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in the relevant category of works. If the technical staff does not have the required academic qualifications, he will be required to have at least 11 years of proven local experience in the relevant category of works. Further, the top management and the technical staff must be two individual persons. All Group B contractors must also meet the quality management system certification requirements as stipulated in Works Bureau Technical Circular No. 13/2001 and Environmental, Transport and Works Bureau Technical Circular (Works) No. 13/2001A.

In addition to the abovementioned technical, personnel, and management criteria, a contractor is also required to meet the financial criteria for admission on the List of Approved Contractors for Public Works and for the award of public works contracts. Under the Group B (Probation) category, a contractor is required to maintain (i) a level of minimum employed capital of HK$5.2 million plus HK$2.9 million for every HK$43 million of annualised outstanding works or part thereof above HK$78 million, subject to a maximum of HK$14.7 million; and (ii) a level of minimum working capital of HK$5.2 million or 10% on annualised outstanding works, whichever is higher. The annualised outstanding works is the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis. Further, the issued and paid-up capital and shareholders' fund should both meet the level of minimum employed capital applicable to the contractor's highest group and status.

In order to be recommended for the award of a contract of whatever value in any category of work, a capital and working capital, as assessed from the accounts, should amount to at least the level required for retention on the List of Approved Contractors for Public Works for that category. In this regard, the capital and working capital requirement would be based on the latest statement of outstanding workload and would take into account the annual value of new tender(s).

Our Group has satisfied the aforesaid criteria and requirements for our admission as an approved contractor under Group B (Probation) of the port works category on the List of Approved Contractors for Public Works, with details as follows:

(i) our Group acted as a first tier subcontractor and have satisfactorily completed various projects which derived from one main port works contract (contract 3201), with an aggregate contract value of approximately HK$246 million in the past five years, to satisfy the project requirement for the port works category;

(ii) Mr. Sherman Heung, our Chairman and executive Director, is qualified as our resident top management for purpose of the application for admission in the List of Approved Contractors for Public Works with over two years of local experience in managing a construction firm in the past five years and with over 20 years of local experience in construction firm management. For further details, please refer to paragraph headed "Directors, Senior Management and Employees – Executive Directors" in this prospectus;

(iii) Mr. Chow Ming Yin Gary, our project director, and Mr. Leung Kwok Cheong, our project manager, are qualified as our senior management and technical staff respectively for purpose of the application for admission in the List of Approved Contractors for Public Works. Mr. Chow Ming Yin Gary and Mr. Leung Kwok Cheong both completed higher education in Civil Engineering/Civil Infrastructural Engineering and satisfied the criteria for management and technical staff. For further details of their respective qualifications and previous working experience, please refer to paragraph headed "Directors, Senior Management and Employees – Senior management" in this prospectus;

(iv) we have obtained the ISO 9001:2015 certification of quality management system for the scope of provision of port works, roads and drainage, site formation and waterworks since January 2019; and

(v) our Group has submitted the relevant financial information, documents and confirmations for demonstration of meeting the minimum employed capital and working capital criteria. In our application to Development Bureau, Kat Yue has summarised its relevant outstanding contract works and the annualized value of the outstanding contract works was approximately HK$132.4 million. To satisfy the minimum employed capital requirement, the aggregate of the issued and paid-up capital and shareholders' fund of Kat Yue must be at least HK$8.1 million (being the sum of HK$5.2 million plus HK$2.9 million as required under the financial criteria for annualised outstanding work which exceeded the HK$78.0 million threshold). As at 30 November 2018, being the date of which the latest management financial statements of Kat Yue were made up to at the time of application, the aggregate of the issued and paid-up capital and shareholders' fund of Kat Yue was approximately HK$70.8 million, which was over the requirement of HK$8.1 million. For the minimum working capital requirement, the net current asset of Kat Yue needs to be the higher of HK$5.2 million or 10% of the annualised outstanding works, which is HK$13.2 million. As at 30 November 2018, the net current asset of Kat Yue was approximately HK$37.2 million. Kat Yue further provided a confirmation as to no significant events has occurred after the end date of the latest audited financial statements which would affect its financial position. In view of the above, our Directors believe that Kat Yue met the minimum employed capital and minimum working capital criteria as at the date of application.

Following the admission, audited accounts of Kat Yue are required to be submitted to the Development Bureau annually and any information which may affect the qualified status is required to be submitted accordingly.

Our Directors confirm that our Group has obtained (and renewed, as the case may be) all necessary licences, permits, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, including the registrations under the Subcontractors Registration Scheme, and that all such licences, permits, consents and approvals were valid as at the Latest Practicable Date. Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

In recognition of our quality control system, we have obtained the following certification:

Certification	**Year of Grant**	**Description**	**Issuing organisation**	**Expiry date**
ISO 9001:2015	2019	Certification of quality management system *(Note)*	BSI	15 January 2022

Note: The certification is for the scope of provision of port works, roads and drainage, site formation and waterworks.

COMPETITION

During the Track Record Period, we positioned ourselves as a marine construction works subcontractor specialising in reclamation works. According to the Ipsos Report, the reclamation works industry in Hong Kong is fairly consolidated with the top five players being main contractors with revenue ranging from approximately HK$442.3 million to HK$1,717.2 million and in aggregate had a market share of approximately 40.0% for 2019 in terms of revenue. Our Group derived approximately HK$83.2 million of revenue for the year ended 31 May 2019 from contracts mainly dominated by reclamation works, such amount is equivalent to approximately 0.5% of the total gross output value of the reclamation industry in Hong Kong for 2019.

According to the Ipsos Report, as of November 2020, there were 13 approved contractors on the List of Approved Contractors for Public Works under the Group B port works category, with nine contractors under the probationary status and four contractors under the confirmed status. Our Directors believe that our Group is competitive against other approved contractors in view of the following:

(i) our participation and involvement in marine construction works in the 3RS project, which was one of the first projects using the DCM method for reclamation in Hong Kong. Our Directors consider that our participation in five out of six contracts involving reclamation works for the 3RS is a recognition of our capability and standard of reclamation works;

(ii) we have developed a special enclosed deposition method for carrying out reclamation work in Hong Kong which according to the Ipsos Report, such method is able to increase cost-effectiveness and efficiency in carrying out reclamation works, and reduces environmental impact at the same time as compared with using the traditional reclamation method and such method has been successfully utilised in six of our marine construction projects in Hong Kong. Patent applications for our special enclosed deposition method have been made in the PRC and Hong Kong. According to the Ipsos Report, apart from our Group, none of the other approved contractors on the List of Approved Contractors for Public Works under the Group B port works category have registered any patent related to marine construction works in PRC or Hong Kong; and

(iii) our reputation in the marine construction works industry in Hong Kong arising from our performance of works up to the satisfaction of our customers, which according to the Ipsos Report will be taken into consideration by the customers during the tendering process and contractors who possess good reputation and proven track record may have a higher success rate in winning tenders.

Further, the key factors for competition in the reclamation industry include (i) the ability to offer competitive price; (ii) the portfolio of vessel fleet; and (iii) the possession of skilled technical team. For details of the competitive landscape of the reclamation works industry, please refer to the section headed "Industry Overview" in this prospectus. We consider that our competitive advantages have contributed to our success and will enable us to continue to strive in the reclamation works industry. Further, we believe that following admission as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019, we are able to further extend our market share in the marine construction works industry in Hong Kong by tendering for public works as a main contractor. As such, our Directors believe that we are able to strive in the marine construction works industry in Hong Kong and withstand competition in the market. We consider that our competitive advantages are the key to our success and our Directors believe that we will continue to strive in this competitive industry. For further details of our competitive advantages, please refer to the paragraph headed "Our competitive strengths" in this section.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 60 full-time employees who were directly employed by us in Hong Kong. The following table sets out the number of our employees by their functional role:

Functional role	Number
Executive Directors and senior management	7
Finance and administrative	8
Project management and supervision	11
Safety and environment	1
Operators and workers	33
Total:	60

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies available. We generally recruit our employees through placing recruitment advertisement and referrals by our employees. An induction training will be provided to our new employees before commencing on site work and on-the-job training will be provided to our employees.

We entered into separate employment contracts with each of our employees in accordance with the applicable employment laws of Hong Kong. The remuneration offered to employees generally includes salary and allowances. In general, we determine the salary of our employees based on their qualifications, relevant experience, position and seniority. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We have not set up any trade union for our employees, nor have we experienced any strikes or other material labour disputes that have materially disrupted our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

OUR PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our operations:

Address	Use of the property	Major terms of the tenancy
Unit 801, 8/F Keybond Commercial Building 38 Ferry Street Jordan Kowloon, Hong Kong	Office	Monthly rental of HK$21,300 up to 30 June 2020, and not more than HK$23,430 up to 30 June 2021 with tenancy period up to 30 June 2021
Unit 804, 8/F Keybond Commercial Building 38 Ferry Street Jordon Kowloon, Hong Kong	Office	Monthly rental of HK$18,800 up to 30 June 2020, and not more than HK$20,680 up to 30 June 2021 with tenancy period up to 30 June 2021

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have applied for registration of one patent in the PRC and Hong Kong, and we have registered two trademarks and one domain name in Hong Kong.

Information relating to our intellectual property rights is set out in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or by third parties.

ENVIRONMENT

We are generally required to follow and comply with the environment requirements of our customers. For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the paragraph headed "Regulatory Overview – Laws and regulations in relation to environmental protection" in this prospectus. Apart from complying with the applicable environmental laws and regulations applicable to Group's operation, we strive to maintain an environmental management system to minimise environmental impact from our business operation, aspiring to prevent pollution, reduce waste and increase recycling where applicable, minimise natural resource use by continually improving our environmental practices and measures, educating our employees to adopt environmentally responsible behaviour, and promoting environmental protection to our subcontractors. Our Directors consider that the annual cost of compliance with the 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 foreseeable future.

During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and work safety

We aim to provide a safe working environment for our employees and we place strong emphasis on occupational health and work safety during our provision of services. Due to the inherent nature of work performed in construction sites which often involves working on chartering vessels and usage of site equipment, our workers are continually subjected to risks of accidents or injuries. To mitigate such risks, we have established and adopted safety manual, employee handbooks and in-house safety rules for our employees and the employees of our subcontractors to follow and require them to comply with the relevant occupational health and safety laws, rules and regulations which are set out in the section headed "Regulatory Overview" in this prospectus.

We have employed one safety supervisor to monitor and implement our work safety measures on a full-time basis and our safety supervisor will perform a safety check on a daily basis. We also arranged appropriate health and safety training for our employees and employees of our subcontractors to ensure their competency to perform specific assigned tasks and keep a proper staff training record. We ensured that regular maintenance checks and safety tests are performed on our vessels and site equipment and only certified operators and personnel are eligible to operate the relevant vessels or site equipment. For lifting appliances and lifting gear which are mounted on the vessels used by us, we arranged for (i) periodic inspections of wire ropes in general use as lifting gear and other lifting gears, and (ii) annual examination which are performed by competent examiner as required by the Merchant Shipping (Local Vessels) (Works) Regulation (Cap. 548I of the Laws of Hong Kong).

System of reporting accidents and our safety records

Pursuant to our typical work practice and agreement with our customers, accidents that take place at work sites must be reported to our customers in accordance with procedures that mirror those specified in the main contract of the project. 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 date of notice of the accident, as the case may be. For accidents that involve death of an employee, the accident has to be notified to the Labour Department within seven days after the accident or after date of notice the accident, as the case may be. For details of the regulations and reporting requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

For the years ended 31 May 2017, 2018, 2019 2020 and from 1 June 2020 and up to the Latest Practicable Date, we recorded nil, three, three, one and one accidents reported to the Labour Department, respectively, involving injuries to our employees or employees of our subcontractor including one alleged incident which is under investigation by our Group. During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, our Group did not experience any other material accidents or accidents involving fatal injury. For details of ongoing litigation and potential claims relating to employees' compensation claims under the Employees' Compensation Ordinance or personal injury claims under common law against our Group, please refer to the paragraph headed "Legal proceedings and legal compliance" in this section.

The following table sets out the nature and type of accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents to protect the workers of our Group and our subcontractors:

Nature and type of accidents	**Safety measures and requirements undertaken**
Contusion and bruise injury caused in connection with operating facilities of vessels and walking on vessels	Our workers and our subcontractors' workers are required to strictly follow our Group's relevant safety rules whilst working on vessels, such as wearing slip-resistant shoes. For works involving fitting and operating facilities of vessels, our Group will provide relevant protective equipment like safety goggles, gloves and helmet.
Contusion, bruise and burn injury in connection with operating machinery and equipment	Our workers and our subcontractors' workers are required to strictly follow relevant standard safety procedures for operating various types of machinery and equipment. In addition, only qualified, competent and trained workers are allowed to operate specific machinery and equipment under our in-house safety rules. Further, our Group will also provide guidelines and training to workers in relation to the correct handling techniques of specific machinery.

To prevent the occurrence of similar accidents and to protect the workers of our Group and our subcontractors, our project sites will have safety inspection covering areas such as working on vessels, lifting operation, plant and vehicle, machinery and hand tools and personnel protection equipment. Risk assessments will also be performed to assess and anticipate potential risks such that additional safeguards can be put in place to mitigate such risks. Furthermore, in order to ensure that our safety measures will be followed by our workers and the workers of our subcontractors, our site foremen and safety supervisor stationed at each work site will perform daily supervision of our operation and our executive Directors will carry out regular visits and inspections at the work sites. In particular, our site foremen will stop any unsafe act and suspend any dangerous operation, and perform checks to ensure that all site equipment are safe and suitable for work. Our safety supervisor will ensure the implementation of safety management system and communicate with the safety officers of other contractors at all tiers. Our workers and the workers of our subcontractors are also required to attend safety trainings organised by the safety officer of the main contractor to ensure that they are properly trained before the start of work and are reminded to follow our safety rules. Our executive Directors will also have regular safety meetings with our site foremen and safety supervisor to discuss and evaluate our safety rules and manuals, and if necessary, to update and revise the same.

The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong:

	Construction industry average rate *(Note 1)*	**Our Group's rate** *(Note 2)*
	From 1 January to 31 December 2016	**For the year ended 31 May 2017**
Accident rate per 1,000 workers	34.5	–
Fatality rate per 1,000 workers	0.09	–
	From 1 January to 31 December 2017	**For the year ended 31 May 2018**
Accident rate per 1,000 workers	32.9	19.4
Fatality rate per 1,000 workers	0.19	–
	From 1 January to 31 December 2018	**For the year ended 31 May 2019**
Accident rate per 1,000 workers	31.7	26.2
Fatality rate per 1,000 workers	0.13	–
	From 1 January to 31 December 2019	**For the year ended 31 May 2020**
Accident rate per 1,000 workers	29.0	8.0
Fatality rate per 1,000 workers	0.16	–

Notes:

1. The figures are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 20 (August 2020) by Occupational Safety and Health Branch, Labour Department, which was the latest issue as at the Latest Practicable Date.

2. Our Group's accident rate is calculated as the occurrence of accident (excluding the alleged incident which is under investigation) during the financial year divided by the average site workers in the work sites during the financial year and multiply the result by 1,000. The average site workers include employees of our Group and its subcontractors.

The accident rate per 1,000 workers of our Group was nil, approximately 19.4 and 26.2 and 8.0 for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. We had no industrial fatal accident for each of the four years ended 31 May 2020. During the four years ended 31 May 2020, our accident rate and fatality rate per 1,000 workers were lower than the construction industry average rate.

The following table sets out our Group's lost time injuries frequency rates ("**LTIFRs**") *(Notes)*:

For the year ended 31 May 2017	–
For the year ended 31 May 2018	6.5
For the year ended 31 May 2019	8.7
For the year ended 31 May 2020	2.7

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 LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the financial year (excluding lost time injuries arising from the alleged incident which is under investigation) by 1,000,000 and then dividing by the number of hours worked by the workers over that financial year.

2. The number of working days of site workers for the years ended 31 May 2017, 2018, 2019 and 2020, (both days inclusive) were approximately 300 days, 300 days, 300 days and 300 days respectively. It is assumed that the working hour of each worker is ten hours per day.

3. The employees of our Group and employees of our Group's subcontractors participated in our projects are included in the LTIFRs as shown above.

The alleged incident

In January 2018, it was alleged by an employee of our Group (the "**Employee**") that whilst he was pulling a wire on a barge with three other co-workers (the "**Co-Workers**") in a project which we were engaged as a subcontractor, he sprained his back in the course of such pulling (the "**Alleged Incident**"). On the day of being notified of the Alleged Incident, our Group had reported the Alleged Incident to the main contractor of the said project (the "**Main Contractor**") pursuant to the subcontract made with the Main Contractor under which our Group is obliged to report any accident occurred at the site to the Main Contractor which would then take up the responsibility of reporting the same to the Labour Department and the insurer of the project. However, for reasons unknown to us, the Main Contractor failed to report the Alleged Incident to the insurer on time and consequently the insurer of the project declined to take up the claim, if any, arising from the Alleged Incident at this stage. Upon discovering the Main Contractor's failure to report the Alleged Incident to the Labour Department on time, our Group has reported the Alleged Incident to the Labour Department without breaching the Labour Department's notification requirement stipulated under sections

15(1A) and 15(6) of the Employees' Compensation Ordinance which set out that an employer without reasonable excuse fails to give notice of any accident to the Labour Department within 14 days after the accident commits an offence.

During the course of investigation of the Alleged Incident, our Group discovered that (i) the Co-Workers did not support the occurrence of the Alleged Incident; and (ii) the Employee had made false statements about the date of occurrence of Alleged Incident and previous back injury history. In light of the Employee's false statements and no witness to support the occurrence of the Alleged Incident as mentioned above, our Legal Counsel opined that our Group has good defence against the employees' compensation claim and any claim to be initiated by the Employee in connection with the Alleged Incident (the "**Potential Claims**"). If, however, our Group is adjudged to be liable for the Potential Claims, our Legal Counsel further opined that we have a good case to claim against the Main Contractor for the Potential Claims in view that the Main Contractor failed to timely report the Alleged Incident to the insurer of the project. Furthermore, Mr. Sherman Heung, our Controlling Shareholder, has given his undertaking in favour of our Group in respect of the whole or part (as the case may be) of the Potential Claims to be initiated by the Employee, which our Group is not able to claim back from the Main Contractor. For details of the undertaking given by Mr. Sherman Heung, please refer to the paragraph headed "Indemnity given by our Controlling Shareholders" in this section. In January 2020, an employees' compensation claim has been initiated by the Employee in respect of the Alleged Incident of which the amount of employees' compensation claim was not stated in the employee compensation application.

Having considered the opinion of our Legal Counsel and in view that (i) we have good defence against the Potential Claims; (ii) the Main Contractor has agreed to indemnify our Group's legal costs and compensation of the Potential Claims, if so incur; (iii) we have a good case to claim against the Main Contractor if we are adjudged to be liable for the Potential Claims, if so incur; and (iv) with the full indemnity of the Potential Claims undertaking given by our Controlling Shareholder, Mr. Sherman Heung, as stated above, our Directors are of the view, and the Sole Sponsor concurs, that the Alleged Incident will not cause material impact on our Group's business, financial position and operating results.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Group maintained insurance coverage against (i) employees' compensation for our office staff; (ii) office risks; (iii) vessels hulk; (iv) third party; and (v) motor vehicle. It is a common practice in the general Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractors' all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. As such, for projects where we act as subcontractors, we rely on the contractors' all risks and employees' compensation insurance maintained by the main contractor of the projects. For our vessels and motor vehicles, we have purchased and maintained the relevant insurance in accordance with the relevant laws and regulations.

Our Directors consider that our existing insurance coverage is adequate for our current operations and is in line with industry norm. For the years ended 31 May 2017, 2018, 2019 and 2020, our insurance expenses were approximately HK$147,000, HK$256,000, HK$438,000 and HK$976,000, respectively. Our Directors confirm that no material claims have been made in respect of any of our Group's insurance policies during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Legal proceedings

(i) Civil litigation against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, our Group was involved in one employees' compensation claim initiated by the Employee in January 2020 in respect of the Alleged Incident of which the amount of the employees' compensation claim remains unknown as at the Latest Practicable Date as the amount was not stated in the employees' compensation application and to our Directors' best knowledge, no assessment has been made by the Employees' Compensation Assessment Board pursuant to the Employees' Compensation Ordinance as at the Latest Practicable Date. However, as the Main Contractor has agreed to indemnify our Group's legal costs and compensation of the Potential Claims, if so incur, our Directors consider that the amount concerned will not impact our Group's financial condition or results of operation. No other civil litigation, claim or arbitration of material importance is known to our Directors to be involving our Group, pending or threatened against our Group. For the injuries of our employees which occurred during their course of employment, all injured individuals may also commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law. During the Track Record Period and up to the Latest Practicable Date, there had been eight work injury cases reported to the Labour Department arising during the usual and ordinary course of our business including one alleged work injury which is under investigation.

The limitation period of two years from the date of the relevant incidents for employees' compensation claims of four of the eight reported work injury cases has expired as at the Latest Practicable Date. The Employee of the alleged work injury case, i.e. the Alleged Incident, has initiated an employees' compensation claim against our Group and the Main Contractor in January 2020 which is within the limitation period of two years. Of the aforesaid eight work injury cases, five are still within the limitation of three years for personal injury claims from the date of the relevant incidents.

For the employees' compensation claim initiated by the Employee, as discussed in the paragraph headed "Occupational health and safety – The alleged incident" in this section, it is considered that no material impact on our Group's business, financial position and operating results will be caused. For other court proceedings not yet commenced, we are not in a position to assess the likely quantum of such potential claims. These eight accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Our Directors take the view that the potential amount to be borne by our Group in seven of the incidents mentioned above shall be covered by the relevant insurance policies as the incidents have been duly reported to the respective main contractor, and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers.

(ii) Criminal litigation against our Group as at the Latest Practicable Date

Our Directors confirmed that there was no criminal litigation proceedings against our Group as at the Latest Practicable Date and there was no criminal conviction against our Group during the Track Record Period and up to the Latest Practicable Date and we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Non-compliance

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitutes material non-compliance or systemic non-compliance.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 13 November 2020, pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any unrecovered portion of any claim(s) in connection with the Alleged Incident and any potential litigations and claims accrued on or before the Listing. Further details of the Deed of Indemnity are set out in the paragraph headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Our Directors consider that there are certain risks which we are primarily exposed to during the ordinary course of our business, the following sets out the key risks and measures adopted by our Group to mitigate and manage such risks:

Operational risks

For our business operations, we are primarily exposed to customer concentration risk, labour shortage risk, project delay risk and health and safety risk.

Customer concentration risk

Please refer to the paragraphs head "Our customers – Customer concentration" and "Our customers – Sustainability of our business" in this section.

Labour shortage risk

Labour shortage and ageing problem have become increasingly significant in the construction industry, to mitigate this risk, our Group has continually maintained and upheld a good relationship with our labour and subcontractors. We have also maintained a list of approved subcontractors which are subject to review and update periodically to ensure we have the flexibility to engage subcontractors with an approved standard to perform some part of our contract works if we have inadequate resources. Our project management team also has regular meeting to discuss the deployment of labour, including the timing and number of workers required.

Project delay risk

Delay in projects (which may or may not be caused by us) would affect the timing of our Group's cash inflows and outflows. To avoid delays in our projects, our Group proactively communicates with our customers to keep track and up to date with the progress of each site to plan the deployment of our labour and other resources accordingly. Our finance and administrative department also forecasts the works to be done in the forthcoming months to plan our liquidity and use of working capital 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 employees and to be followed by our subcontractors, when required. Our employees and employees of our subcontractors are also required to attend safety training organised by our customers and their safety officers. Our safety supervisor, also conducts site inspections to ensure that our workers work in a safe environment.

Credit risks

We are exposed to credit risks in our operation primarily from trade receivables and contract assets. To manage the risk of bad debts, we closely monitor the credit period granted to our customers and adopted the following internal control measures:

- for each potential project, an internal assessment will be conducted on the potential customer's payment history and its reputation in the industry before acceptance of a project such that we have a better understanding of its credibility and financial strength and negotiate the credit terms if necessary;

- our finance and administrative department is responsible for keeping track with all overdue payments of each project and notifying our executive Directors and administration manager to remind customers to settle the outstanding payment in a timely manner; and

- our finance and administrative department prepares a receivables ageing analysis for the financial controller's review and report to our Directors for their assessment to determine the amount which are recoverable and decide whether it is necessary to make any specific provision.

Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. In particular, any delays in project commencement in the public sector due to filibustering for approving new funding and objections or legal actions by the affected members of the public, may affect our project portfolio and affect our plans for purchase of vessels, site equipment and/or deployment of labour. In order to mitigate such market risks, our Directors must keep abreast of the latest market development and keep track with the tendering results of our Group in general to facilitate adjustments to our business strategies and assess our participation in projects in the public or private sector. 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.

Risk management

Our Group has an established risk management system comprising relevant policies and procedures that we believe are appropriate for our business operations to monitor work performance and manage our costs and procurement level. Pursuant to our risk management policy, our key objectives include: (i) identifying risks; (ii) evaluating and prioritising the identified risks; (iii) monitoring and managing the risks and our risk tolerance level; (iv) developing appropriate strategies for management of different types of risks; and (v) execution of risk response measures. Our Board is responsible for overseeing and managing the overall risks associated with our operations and our audit committee is responsible for reviewing and supervising our financial reporting process and internal control system. The audit committee consists of three members, namely Mr. Fung Hoi Fung, who serves as the chairman of the audit committee, Mr. Chiu Tai Shing and Mr. Wan Wai Wing. For the qualifications and experience of these risk management team members namely our executive Directors and audit committee members, please refer to section headed "Directors, Senior Management and Employees" in this prospectus.

Our internal control system

We aim to maintain an intact and effective internal control system to safeguard our Shareholders' value and our assets. In preparing for the Listing and our continuing strive to improve our internal control system, in September 2018, we engaged Crowe (HK) Risk Advisory Limited (the "**IC Consultant**"), an independent internal control adviser, to perform an 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, which covers areas of financial, business operation, corporate governance and relevant compliance with laws, rules and regulations. The IC Consultant is experienced in performing similar internal control review for other listing applicants of the Stock Exchange. The IC Consultant performed an internal control review in between December 2018 and January 2019 and identified certain findings in relation to our internal control policies and procedures. We have subsequently fully implemented all the major recommended measures suggested by the IC Consultant. The IC Consultant performed a follow-up review between March 2019 and June 2019 to re-evaluate the status of our implementation of the recommended measures and concluded that we have satisfactorily implemented all the major recommended measures based on its follow-up review.

Corporate governance

Our Board is responsible for ensuring that we maintain an intact and effective internal control and corporate governance system to safeguard the interest of our Shareholders and our assets at all time. We have adopted a series of corporate governance measures which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Corporate governance measures" in this prospectus.

Our Directors are of the view, and the Sole Sponsor concurs, that our Group has established adequate and effective internal control measures for our operations, compliance and corporate governance.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), Mr. Sherman Heung through Yue Hang will control more than 30% of our Company's issued share capital. For the purpose of the Listing Rules, Mr. Sherman Heung and Yue Hang are the Controlling Shareholders of our Company.

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 businesses 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 its business needs. As at 31 May 2020, the amount due from our Controlling Shareholder, Mr. Sherman Heung, was approximately HK$19.9 million. All amount due from Mr. Sherman Heung had been settled in full in October 2020. In addition, the personal guarantees provided by Mr. Sherman Heung for our Group in favour of our bank will be released and replaced by corporate guarantee executed by our Company upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support its 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 Listing.

(ii) Operational independence

Our Group has established its own organisational structure comprising of 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 our Controlling Shareholders and/or their respective associates. Our Directors are of the view that there is no operational dependence on our 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 approving of our overall business plans and strategies, monitoring the implementation of those 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 our business, to implement our Group's policies and strategies.

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Sherman Heung, who is the sole director of Yue Hang, is the overlapping director between our Group and our Controlling Shareholder. None of the other Directors nor members of senior management of our Group hold any directorship or position in our Controlling Shareholder.

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 our 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

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

LOCK-UP UNDERTAKINGS

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules, he/it shall not and shall procure that the relevant registered holder(s) shall not:

(i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or

(ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or they would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that he/it will, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform our Company of:

(i) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of the Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and

(ii) when he/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

DEED OF NON-COMPETITION

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Sherman Heung and Yue Hang (each a "**Covenantor**" and collectively the "**Covenantors**"), have entered into a Deed of Non-competition with our Company (for itself and for and on behalf of its subsidiaries) on 13 November 2020. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for 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 six 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.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee of the Stock Exchange 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 the 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 the Board is specifically requested by a majority of the 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;

(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 judgement in the decision-making process of our Board and that they will be able to provide impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors, Senior Management and Employees – Independent non-executive Directors" in this prospectus; and

(vi) we have appointed Red Sun 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.

DIRECTORS

Our Board is responsible for and has general powers for the management and conduct of the business of our Group. Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Role and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Heung Che Kan (向志勤)	65	Chairman and executive Director	15 June 2010	24 May 2018	Overall strategic management and development of our Group's business operations	Father of Mr. Edwin Heung
Ms. Lee Ming Chu Jade (李明珠)	61	Executive Director	27 January 2005	24 May 2019	Overall strategic management and overseeing the human resources, financial and administration of our Group's operation	None
Mr. Heung Yue Wing (向裕永)	30	Executive Director	2 July 2010	24 May 2019	Overseeing the operational management and quality control of our Group's projects	Son of Mr. Sherman Heung
Independent non-executive Directors						
Mr. Chiu Tai Shing (邵大成)	68	Independent non-executive Director	13 November 2020	13 November 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 Group	None
Mr. Wan Wai Wing (温蔚榮)	42	Independent non-executive Director	13 November 2020	13 November 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 Group	None
Mr. Fung Hoi Fung (馮海風)	62	Independent non-executive Director	13 November 2020	13 November 2020	Serving on the Audit Committee and the Remuneration Committee and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	None

EXECUTIVE DIRECTORS

Mr. Heung Che Kan（向志勤）**("Mr. Sherman Heung")**, aged 65, is our Chairman and executive Director. Mr. Sherman Heung is responsible for the overall strategic management and development of our Group's business operations. He was appointed as our Director on 24 May 2018 and re-designated as our Chairman and executive Director on 24 May 2019. Mr. Sherman Heung is also the chairman of the Nomination Committee. He has completed a Shipboard Cargo Handling Basic Safety Training Course and was awarded with a certificate of training in August 2016.

Mr. Sherman Heung possesses over 30 years of experience in marine construction works and other civil engineering works, accumulated from his employment and directorships in various construction and construction related companies. His experience dates back to 1984 when he, together with his business partners established his first construction company, namely, Geoworks Contractor (HK) Limited for the provision of construction services. As he gradually developed his experience, knowledge and connection in the industry, he, together with his business partners at the material time expanded their business over time and established various private companies from 1985 to 1991 to provide construction and related services which ranged from marine construction works, other civil engineering works, marine plant leasing and vessel leasing. Through operating his own business, Mr. Sherman Heung developed technical and project management skills involved in marine construction works and other civil engineering works as well as vast connections with different construction contractors, suppliers and subcontractors who engaged construction service or marine plant/vessel leasing service from his companies. Apart from his business establishment, Mr. Sherman Heung also worked for various construction companies where he participated in numerous construction projects and his previous employment includes the following:

Period of employment	Name of employer	Position(s)
July 1998 to September 2001	Kin Shing Construction Company Limited	Project coordinator
October 2001 to May 2004	Ka Shun Civil Engineering Company Limited	Coordinator
June 2004 to February 2006	Wah Man Construction Limited	Coordinator
March 2006 to November 2009	Kwan Sing Contractor Ltd.	Construction manager
December 2009 to June 2010	Penta-Ocean Construction Co. Ltd.	Construction manager and subsequently operation manager

Mr. Sherman Heung's work experience as described above was the key to his extensive knowledge, expertise and experiences in technical and management roles in marine construction and other civil engineering works. He joined our Group as a director of Kat Yue in June 2010 and since then, he has been expanding our Group's scope of business over the years by exploring various opportunities in marine construction works and other civil engineering works. For further details, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

Mr. Sherman Heung was a director of the following companies which were dissolved or put into liquidation during his directorship or within 12 months of his cessation as a director, with details as follows:

Name of company	Place of incorporation	Date of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Best Gain Engineering Limited ("**Best Gain**")	Hong Kong	3 March 1994	Provision of construction services	12 August 2015	Compulsory winding up *(Note 1)*
Cycle King Limited ("**Cycle King**")	Hong Kong	30 April 2010	Plant leasing	26 September 2014	Deregistration *(Note 2)*
Glory Trump Equipment Limited ("**Glory Trump**")	Hong Kong	24 January 1997	Plant leasing	2 July 2004	Creditors' voluntary winding up *(Note 3)*
Geoworks Equipment Company Limited ("**Geoworks Equipment**")	Hong Kong	27 April 1990	Marine plant leasing	2 July 2004	Creditors' voluntary winding up *(Note 3)*
Geoworks Holdings Limited ("**Geoworks Holdings**")	Hong Kong	26 November 1991	Provision of construction services	9 April 2002	Creditors' voluntary winding up *(Note 3)*
Sinstar Investment Limited ("**Sinstar**")	Hong Kong	6 February 1990	Vessel leasing	29 August 2001	Creditors' voluntary winding up *(Note 3)*

Notes:

1. Best Gain encountered financial difficulty and became insolvent and unable to pay its debt. A creditor of Best Gain filed a petition for its winding up in April 1999 and Best Gain was dissolved by compulsory winding up in August 2015.

2. Cycle King was 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 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.

3. Glory Trump, Geoworks Equipment, Geoworks Holdings and Sinstar (the "**Dissolved Companies**") encountered financial difficulty and became insolvent. The then directors of the Dissolved Companies resolved for the Dissolved Companies to be wound up pursuant to section 228A of the Predecessor Companies Ordinance in June 1999 and the Dissolved Companies were ultimately wound up in the period from 2001 to 2004.

Mr. Sherman Heung confirmed that for the abovemention companies, only Cycle King was solvent immediately prior to its dissolution. Mr. Sherman Heung further confirmed that there was no wrongful act on his part which led to the winding up or dissolutions of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of their winding up or dissolutions, and his involvements in the above companies were part and parcel of his services as a director of the said companies and no misconduct or misfeasance had been involved in the winding up or dissolutions of the said companies.

*The dissolution of Best Gain and the Dissolved Companies (the "**Winding Up**")*

At the material time, Mr. Sherman Heung, together with two major business partners which were Independent Third Parties, were common directors and/or ultimate shareholders of Best Gain and the Dissolved Companies which were principally engaged in construction and related business in Hong Kong. During the ordinary course of business of the Dissolved Companies, these companies were granted certain financial facilities ("**Financial Facilities**") including bank overdraft and hire purchase for acquisition of plants and equipment for their construction and related business. However, the economic downturn of Hong Kong in 1998 resulted in fewer business opportunities for Best Gain and the Dissolved Companies, and consequently a drop in revenue and income cash flow for both Best Gain and the Dissolved Companies. Best Gain and the Dissolved Companies began to face liquidity issues and were unable to settle their regular repayments with the banks and/or other creditors. Consequently, a creditor of Best Gain filed a petition for its winding up in April 1999 and Best Gain was dissolved by compulsory winding up in August 2015. In view of the aforesaid circumstances and realising that the Dissolved Companies were insolvent and were unable to trade out of their financial difficulties, Mr. Sherman Heung and the other directors of the Dissolved Companies took the initiative to resolve for the dissolution of the Dissolved Companies pursuant to section 228A of the Predecessor Companies Ordinance in June 1999 and the Dissolved Companies were dissolved by creditors' voluntary winding up. As confirmed by Mr. Sherman Heung, he, as a then director of the Dissolved Companies, had taken an appropriate action at the material time to wind up the Dissolved Companies in view of the insolvency situation and there was no wrongful act on his part leading to the dissolution of the Dissolved Companies.

The deregistration of Cycle King

Cycle King was incorporated in April 2010 and its principal business was plant leasing. As Mr. Sherman Heung intended to focus on the business of Kat Yue in marine construction works and other civil engineering works, which Mr. Sherman Heung considered to have more prospect than plant leasing in view of the then market trend, Mr. Sherman Heung ceased operation of Cycle King and Cycle King was deregistered in September 2014.

Petition and discharge of bankruptcy order

As security for certain banking facilities providing by a bank to Geoworks Equipment and Glory Trump, Mr. Sherman Heung, who was one of the shareholders and directors of both Geoworks Equipment and Glory Trump at the material time provided personal guarantees in favour of the bank. However, due to the economic downturn as described above, Geoworks Equipment and Glory Trump were unable to repay their respective debt. Mr. Sherman Heung, at the material time, was not in the financial position to repay all the outstanding debts owed by the said two companies and a bankruptcy petition was filed against him by the bank on 6 July 2000.

Having regard to (i) the creditor's bankruptcy petition against Mr. Sherman Heung dated 6 July 2000; (ii) the bankruptcy order made by the High Court of Hong Kong on 8 November 2000; and (iii) the certificate of discharge issued under Rule 92 of the Bankruptcy Rules (Chapter 6A of the Laws of Hong Kong) by the High Court of Hong Kong on 5 November 2009 ("**Certificate of Discharge**"), certifying that Mr. Sherman Heung was discharged from his bankruptcy on 8 November 2004, our Directors were not aware that the bankruptcy of Mr. Sherman Heung was resulted from or related to any dishonesty or integrity issue. In addition, pursuant to the Certificate of Discharge, no conditions were imposed on Mr. Sherman Heung's discharge from his bankruptcy.

View of the Legal Counsel on the Winding Up

In respect of the Winding Up, according to our Legal Counsel, (i) there was no wrongdoing on the part of Mr. Sherman Heung leading to the Winding Up; (ii) there was no fraudulent or dishonest elements on the part of Mr. Sherman Heung in the Winding Up; and (iii) the integrity of the Mr. Sherman Heung should not be adversely affected by the Winding Up, having considered that (i) the economic downturn contributed by the Asian financial crisis in 1997 was the major external factor at the relevant time beyond the control of Mr. Sherman Heung; (ii) the actions of the then directors of each of the Dissolved Companies who made a collective decision to have the Dissolved Companies wound up where they could not continue profitably was consistent with the duties owed by directors to a company and its creditors; and (iii) no application for disqualification order has been made by the liquidators of Best Gain and the Dissolved Companies under the Predecessor Companies Ordinance or Companies (Winding-up and Miscellaneous Provisions) Ordinance (as the case may be), where it may be taken as an inference that Mr. Sherman Heung, as one of the then directors of Best Gain and the Dissolved Companies did not have any wrongdoing, fraudulent and dishonest elements causing the Winding Up, and there were no integrity, dishonesty or incompetency issue which the liquidator needed to bring to the attention of the Official Receiver to whom the liquidator was statutorily required to report to.

Mr. Sherman Heung's competency as a director

Having taken into account the above factors, including (i) the Winding Up was due to the economic downturn in Hong Kong in 1998 and its consequential decrease in business opportunities; (ii) the bankruptcy order was made against Mr. Sherman Heung as a result of the insolvency of Geoworks Equipment and Glory Trump; (iii) Mr. Sherman Heung's bankruptcy order was discharged without any condition; (iv) it was a collective decision of the then directors of the Dissolved Companies, including Mr. Sherman Heung, to have the Dissolved Companies wound up in the circumstances, and such were consistent with the duties of a director, thus Mr. Sherman Heung had exercised reasonable care, skills and diligence as a director of the Dissolved Companies; and (v) the view of the Legal Counsel in relation to the Winding Up and bankruptcy, our Directors consider that the Winding Up and the bankruptcy of Mr. Sherman Heung should not negatively affect Mr. Sherman Heung's level of management skill, care and diligence as a director of the abovementioned companies. On the contrary, our Directors consider that, the incidents showed that Mr. Sherman Heung had acted honestly and properly for the interests of the companies in which he held directorship. Further, our Directors are of the view that Mr. Sherman Heung had made an appropriate decision in winding up the Dissolved Companies upon the unresolvable financial difficulties faced by the Dissolved Companies to cease further deterioration of the difficult situation faced by the Dissolved Companies. Mr. Sherman Heung had fully disclosed to our Directors his bankruptcy and the circumstances which led to the Winding Up, therefore, our Directors are of the view that there was no dishonesty or integrity issue on the part of Mr. Sherman Heung.

Our Directors also noted that from the experience of the Winding Up, Mr. Sherman Heung took a conservative approach for his career aspiration by devoting his effort to the management and development of a single operating company (i.e. Kat Yue) instead of a number of operating companies at the same time for the gradual development of the size and scale of the Group's operation through time. Since 2010, Mr. Sherman Heung has dedicated his time predominantly for the development of Kat Yue and has during such time established Kat Yue's reputation and job reference. Kat Yue has also established internal control procedures/policies to monitor its cost management, receivable control and cash flow, and the internal control review performed by the IC Consultant concluded that our Group had implemented all of the major recommended measures by the IC Consultant. Our Directors further consider that with a diverse board composition comprising three executive Directors and three independent non-executive Directors upon Listing with various backgrounds and expertise, the development of our Group will be better safeguarded by the board and such will further facilitate our Group's continuous development.

Further, in consideration of Mr. Sherman Heung's extensive work experiences and his successful management in the development and operation of our Group since 2010 with no material non-compliance issues identified during the Track Record Period and up to the Latest Practicable Date, our Group will be benefited significantly from his experience and leadership given his primary responsibility after the Listing involves the overall strategic management and development of our Group's business operations. Our Directors consider that Mr. Sherman Heung has the character, experience and integrity, and is able to perform a standard of competence which would commensurate with his position as an executive

Director of the Company. Our Directors also believe that Mr. Sherman Heung is able to comply with Rules 3.08 and 3.09 of the Listing Rules in discharging his duties as a Director of our Group upon Listing in view of the reasonings above.

View of the Sole Sponsor

The Sole Sponsor concurs with our Directors' view and considers that the Winding Up and the bankruptcy of Mr. Sherman Heung should not reflect negatively on Mr. Sherman Heung's competency, or his level of management skill, care and diligence on the part of Mr. Sherman Heung as a director of a company, and do not affect his suitability and competence to act as a director of a listed company under Rules 3.08 and 3.09 of the Listing Rules having considered:

(i) the Legal Counsel's view as stated above;

(ii) the factors which led to the Winding Up, which was due to the economic downturn after the Asian financial crisis, resulting in fewer business opportunities and cash flow problems for Best Gain and the Dissolved Companies which eventually led to the Winding Up was to a large extent out of the control and expectation of Mr. Sherman Heung. There was no reason to believe that such uncontrollable and unexpected circumstances arose from any element of fraud or dishonesty, or that concerns should be raised as to the integrity of Mr. Sherman Heung, who was managing the companies together with the then directors of the companies collectively, and Mr. Sherman Heung's bankruptcy was also largely related to the Winding Up;

(iii) when the Dissolved Companies became insolvent, Mr. Sherman Heung made a collective decision with the then directors of the Dissolved Companies to wind up the Dissolved Companies such that liquidators will be appointed to handle the affairs of the Dissolved Companies fairly and properly and to mitigate the damages being suffered by other stakeholders of the Dissolved Companies;

(iv) the contribution of Mr. Sherman Heung to the development and growth of our Group. Throughout the years, Mr. Sherman Heung has demonstrated his competence and abilities as a director of Kat Yue, which have successfully grown and developed its reputation in the marine construction and civil engineering industry in Hong Kong, under his management and leadership;

(v) the enhanced internal control system of our Group, in particular, on cost management, receivable control and cash flow which has been implemented in line with recommendation of the IC consultant; and

(vi) it has been more than 15 years since the Winding Up took place and the bankruptcy order was made against Mr. Sherman Heung, and since then Mr. Sherman Heung has been discharged from his bankruptcy.

Mr. Sherman Heung is the father of Mr. Edwin Heung.

Ms. Lee Ming Chu Jade (李明珠) **("Ms. Lee")**, aged 61, is our executive Director and is responsible for the overall strategic management and overseeing the human resources, financial and administration of our Group's operation. Ms. Lee completed a Secretarial Studies Course from City College of Commerce in May 1978 and obtained a Certificate for Contractors' Accounts issued by Vocational Training Council in July 1987. In 1988, she also obtained a Certificate for Second Level for Book-Keeping and Accounts from London Chamber of Commerce Examinations Board. In December 1989, Ms. Lee completed the Fundamental Management Certificate Programme at The Hong Kong Management Association ("**HKMA**"). She then obtained a Diploma in Accounting for Managers, and Marketing and International Business at The Chinese University of Hong Kong in November 1992 and November 1994 respectively. In July 2014, she completed a Diploma in Training from Hong Kong Federation of Trade Unions ("**HKFTU**") Spare-Time Study Centre. Ms. Lee further obtained Distance Learning Certificates in How to Manage a Limited Company-Company Secretarial Practices and Procedures, and in Events, Exhibitions and Conferences Management from HKMA/HKFTU Spare-Time Study Centre both in July 2014.

Ms. Lee has over 40 years of secretarial and accounting experience in the construction industry. Before commencement of business of our Group in 2010, Ms. Lee worked for various construction companies or contractors as a secretary or accountant from 1979 to 2010. Ms. Lee's primary working experience includes:

Period of employment	Name of employer	Position(s)
July 1979 to April 1981	Leighton Contractors Pty. Ltd.	Site secretary
May 1981 to October 1983	Geoboring & Construction (HK) Limited	Accounting secretary
November 1983 to April 1985	China Construction Co.	Accountant
April 1985 to January 1992 *(Note)*	Geoworks Contractors (HK) Limited	Accountant, office manageress, director and company secretary
October 1992 to March 2010	Kin Ko Construction Co. Ltd.	Accounting manager

Note: Ms. Lee was promoted from the role of accountant to office manageress, director and company secretary of Geoworks Contractors (HK) Limited in January 1988. She resigned from her positions as accountant, office manageress and company secretary in 1992, and remained as a director of the company until 31 March 1993.

Mr. Heung Yue Wing (向裕永) **("Mr. Edwin Heung")**, aged 30, is our executive Director and is responsible for overseeing the operational management and quality control of our Group's projects. Mr. Edwin Heung completed his Bachelor of Aviation from the University of South Australia in December 2015. Mr. Edwin Heung has been admitted to a Master of Business Administration programme of the City University of Hong Kong on part-time basis in September 2019.

Mr. Edwin Heung has approximately eight years of experience in providing technical support to our Group. He first joined our Group as quantity surveying assistant in July 2010 to assist the quantity surveying manager to cater the edit and quantity works. Given the supportive job nature, his workload as a quantity surveying assistant was not excessive and he was able to manage his time for work and study concurrently. After completion of his Bachelor of Aviation, he was able to devote more time and effort in working for our Group. With his technical knowledge and experience accumulated throughout his engagement with our Group, he was designated as our technical support officer in January 2016 and he was primarily responsible for supporting the 3RS construction works. He also led and participated in the patent application of our special enclosed deposition method in the PRC and Hong Kong. He was further promoted as our project technical manager in May 2018 and was subsequently appointed as our executive Director on 24 May 2019.

Mr. Edwin Heung is the son of Mr. Sherman Heung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Tai Shing (邵大成) **("Mr. Chiu")**, aged 68, was appointed as our independent non-executive Director on 13 November 2020. He is also a member of each of the Nomination Committee, Audit Committee and Remuneration Committee. Mr. Chiu is responsible for providing independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

In June 1976, Mr. Chiu obtained a degree of Bachelor of Applied Science from University of Toronto in Canada. He completed a course in the Estimating Technology II held by The Amalgamated Construction Association of British Columbia in April 1991 and the 1992 Certified Professional Course for Use and Occupancy Requirements at The University of British Columbia in July 1992. He further obtained a degree of Master of Science from The Chinese University of Hong Kong in December 2006. In September 2018, he further completed an executive program of Artificial Intelligence: Implications for Business Strategy at Massachusetts Institute of Technology, Sloan School of Management.

Mr. Chiu was registered as a professional engineer of Association of Professional Engineers of Ontario in February 1981 and as a professional engineer of The Association of Professional Engineers and Geoscientists of British Columbia in August 1992. He was then admitted as a certified professional of Union of British Columbia Municipalities in Canada in April 1993. Later on, he was admitted as a member of The Hong Kong Institution of Engineers and a member of National Fire Protection Association in March 2004 and September 2011, respectively. He was also appointed as a professional assessment assessor of The Hong Kong Institution of Engineers for the 2014/2015, 2015/2016 and 2017/2018 sessions.

Mr. Chiu has over 40 years of experience in the engineering and construction industry. Mr. Chiu's primary work experience includes:

Period of employment	Name of employer	Position(s)
April 1978 to May 1980	Ho Chung, Wallace Evans & Partners Consultancy	Assistant engineer
May 1980 to March 1983	Leighton Contractors (Asia) Limited	Engineer
September 1981 to June 1983	University of Hong Kong Polytechnic	Part-time lecturer – Geotechnical Tech.
March 1983 to August 1984	Hip Lee Hung Cheong Construction Co.	Project manager and associated partner
August 1984 to June 1985	Ocean Quarry & Construction Limited (Brunei)	Project superintendent
August 1985 to June 1988	Leighton Contractors (Asia) Limited	Senior engineer
February 1989 to September 1990	Crow Maunsell Management Consultants Limited	Planning and programming engineer
March 1991 to March 1995	Pioneer Consultants Ltd.	Certified professional and chief design engineer
July 1995 to July 1997	MTR Corporation	Programming engineer
July 1997 to March 2006	Sun Hung Kai Architects and Engineers Limited	Senior engineer
April 2006 to June 2008	Sun Hung Kai Real Estate Agency Ltd.	Senior engineer
July 2008 to November 2009	Sun Hung Kai Architects and Engineers Ltd.	Senior engineer
November 2009 to October 2012	NW Project Management Limited	Senior project manager
October 2012 to March 2016	MTR Corporation Limited	Planning & programme consultant
March 2016 to May 2016	Henderson (China) Investment Limited	Project in charge
June 2016 to January 2019	New World Construction Company Limited	Project manager
April 2019 to present	JMK Consulting Engineers Limited	Principal engineer

Mr. Wan Wai Wing (温蔚榮) **("Mr. Wan")**, aged 42, was appointed as our independent non-executive Director on 13 November 2020. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and Audit Committee. Mr. Wan is responsible for providing independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

In November 2000, Mr. Wan obtained a degree of Bachelor of Science in Surveying from The University of Hong Kong. He then obtained a degree of Bachelor of Laws from University of London (distance learning) in August 2006. He further obtained the Postgraduate Certificate in Laws and a degree of Master in Laws in Arbitration and Dispute Resolution from City University of Hong Kong in July 2008 and October 2012, respectively.

Mr. Wan was admitted as a professional member of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors in May 2005. Later, he was admitted as an associate of The Chartered Institute of Arbitrators in July 2005. He was admitted as a registered professional surveyor in the quantity surveying division of the Surveyors Registration Board of Hong Kong in July 2006. Mr. Wan was then admitted as a member and a fellow of The Chartered Institute of Arbitrators in October 2012 and December 2012, respectively. He was further admitted as a member of the joint panel of arbitrators of the Hong Kong Institute of Surveyors and Hong Kong Institute of Architects in 2013. Subsequently, Mr. Wan was admitted as a fellow of Hong Kong Institute of Arbitrators and a member of the panel of adjudicators of Hong Kong International Arbitration Centre in July 2014 and 2018, respectively.

Mr. Wan has accumulated extensive experience in the quantity surveying and legal industry. He began his career as a quantity surveyor at Davis Langdon & Seah HK Ltd. from July 2000 to June 2003. He then worked for Consultant Associates (H.K.) Limited from July 2003 to May 2011 and his last position held was assistant director. Subsequently, he joined Wong & Lawyers (formerly named as Chan & Associates) as a trainee solicitor in May 2011, and as a solicitor after his admission as a solicitor of Hong Kong in July 2013.

Mr. Fung Hoi Fung (馮海風) **("Mr. Fung")**, also known as Fung Hoi Fong and Fung Bing Sun (馮炳燊), aged 62, was appointed as our independent non-executive Director on 13 November 2020. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Fung is responsible for providing independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

In July 1985, Mr. Fung obtained an Accounting Diploma from Hong Kong Shue Yan College. He then obtained a degree of Master of Professional Accounting from The Hong Kong Polytechnic University in December 2007.

Mr. Fung was admitted as an associate and registered as a Certified Public Accountant of the Hong Kong Society of Accountants in April 1997 and May 1999, respectively. He was then admitted as a fellow of The Association of Chartered Certified Accountants in May 2002. Since 2008, Mr. Fung has been admitted as an ordinary member of The Society of Chinese Accountants & Auditors. In June 2010, he was registered as a Certified Tax Adviser of The Taxation Institute of Hong Kong.

Mr. Fung has over 30 years of experience in the accounting and finance industry. He worked for Glass Radcliffe & Co. Chartered Accountants, Certified Public Accountants, Hong Kong from September 1985 to September 1986 as an audit trainee and was promoted to audit team leader in October 1986. He was further promoted to the position of audit supervisor in January 1989 and remained in such position until he left in April 1989. Mr. Fung then worked at Deutsche Morgan Grenfell Hong Kong Limited from April 1989 to February 1997, with his last position as an accounting manager. Later on, he worked for Glass Radcliffe Chan & Wee, Certified Public Accountants from April 1997 to May 1998, as an assistant manager. He then worked for Sun Sang (King Fung) Printing & Dyeing Company Limited from May 1998 to May 2000 as a financial controller. In January 2001, he founded Fung Hoi Fung & Co. and continued to operate his accounting firm to the present.

DIRECTORS' INTEREST

Save as disclosed in this section and the section headed "Substantial Shareholders" in 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, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

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 the Shareholders and there was no other information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management:

Name	Age	Position	Date of appointment	Role and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Chow Ming Yin Gary (周銘賢)	41	Project director	23 May 2018	Overall planning, supervision, monitoring progress and management of our projects	None
Mr. Leung Kwok Cheong (梁國昌)	45	Project manager	1 August 2018	Overall management of our projects, daily monitoring of operation and supervision of sites	None

Name	Age	Position	Date of appointment	Role and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wu Fook Cheung（胡福祥）	64	Marine project manager	1 May 2018	Overall management of our projects, daily monitoring of operation and supervision of marine project sites	None
Mr. Lam Sing Hon（林昇翰）	35	Financial controller	12 November 2018	Overseeing our Group's overall financial accounting and reporting as well as corporate finance matters	None

Mr. Chow Ming Yin Gary（周銘賢）("Mr. Gary Chow"), aged 41, was appointed as our project director on 23 May 2018. He is primarily responsible for the overall planning, supervision, monitoring progress and management of our projects.

Mr. Gary Chow obtained a degree of Bachelor of Engineering Technology from Griffith University in Australia in August 2006. He then obtained a degree of Master of Science in Civil Infrastructural Engineering and Management from The Hong Kong University of Science and Technology in May 2009.

Mr. Gary Chow is qualified as a competent person under both the Factories and Industrial Undertakings (Confined Spaces) Regulation (Chapter 59AE of the Laws of Hong Kong) and the Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong) in Hong Kong since May 2002 and June 2002, respectively. He was elected as a member of the American Society of Civil Engineers in February 2007, and admitted as a member of Hong Kong Institute of Construction Managers in July 2007 and a registered construction manager of Hong Kong Institute of Construction Managers in September 2014. He obtained a Certificate of Accreditation from the Institution of Civil Engineers of the United Kingdom for completion of the NEC3: Engineering and Construction Contract Project Manager Accreditation in October 2018 and is eligible for inclusion on the Register for Accredited NEC professionals held by the Institution of Civil Engineers.

Mr. Gary Chow has over 20 years of extensive experience in civil engineering, specialised in areas of reinforced concrete structure, roads and drainage, waterworks, slope works and utility services. He has participated in various public construction projects coordinated by the Drainage Services Department, Water Supplies Department, Highways Department as well as the MTR Corporation Limited.

Mr. Gary Chow's primary working experience includes:

Period of employment	**Name of employer**	**Position(s)**
March 1997 to May 1999	UTEC Limited	Project administrator
January 2004 to March 2006 *(Note 1)*	Chun Wo Construction & Engineering Co., Ltd.	Foreman and site engineer
April 2006 to January 2008	Maeda Corporation	Sub-agent
February 2008 to April 2008	China Road and Bridge Corporation	Sub-agent
June 2008 to September 2009	Honour Hall Engineering Limited	Site agent
October 2009 to January 2011	Shanghai Urban Construction (Group) Corporation	Site agent
January 2011 to September 2011	Hsin Chong Construction Co., Ltd.	Construction manager
October 2011 to May 2018 *(Note 2)*	Leighton Contractors (Asia) Limited	Senior site agent and construction manager

Notes:

1. Mr. Gary Chow was promoted from the role of foreman to site engineer of Chun Wo Construction & Engineering Co., Ltd. and held office of the aforesaid position from October 2005 till he left the company in March 2006.

2. Mr. Gary Chow was promoted from the role of senior site agent to construction manager of Leighton Contractors (Asia) Limited and held office of the aforesaid position from April 2013 till he left the company in May 2018.

Mr. Gary Chow was a director of the following companies during the period from March 2000 to May 2008 as set out below:

Name of company	**Period of directorship**	**Nature of business**
Solutions Unlimited Limited	17 March 2000 to 2 August 2002	Engineering consulting services
Solutions Unlimited Group Limited	17 December 2002 to 2 May 2008	Engineering consulting services
Solutions Unlimited Engineering Limited	11 August 2005 to 31 January 2008	Engineering consulting services

Mr. Leung Kwok Cheong (梁國昌) (**"Mr. Leung"**), aged 45, was appointed as our project manager on 1 August 2018. He is primarily responsible for the overall management of our projects, daily monitoring of operation and supervision of sites.

Mr. Leung obtained a degree of Bachelor of Engineering in Civil Engineering from Hong Kong Polytechnic University in November 2001.

Mr. Leung was elected as a chartered professional engineer member of Engineers Australia in the Civil College in January 2008. He was also admitted as a member of the Institution of Civil Engineers in June 2008 and registered as a chartered engineer by the Engineering Council UK in August 2008. In October 2009, he was elected as a member of The Institution of Highways and Transportation. In December 2018, he obtained a Certificate of Accreditation from the Institution of Civil Engineers of the United Kingdom for completion of the NEC3: Engineering and Construction Contract Project Manager Accreditation and is eligible for inclusion on the Register for Accredited NEC professionals held by the Institution of Civil Engineers.

Mr. Leung has over 20 years of experience in the construction industry. Mr. Leung's primary working experience includes:

Period of employment	**Name of employer**	**Position**
June 1997 to November 1998	B+B Construction Co. Ltd	Technician engineer
November 1998 to February 2000	Bilfinger+Berger Bauaktiengesellschaft Hong Kong Branch	Technician engineer
February 2000 to March 2001	Zen Pacific Civil Contractors Ltd.	Assistant engineer
September 2001 to September 2002	CM Wong & Associates Ltd.	Graduate engineer
September 2002 to October 2009	China State Construction Limited	Engineer
November 2009 to July 2010	China Harbour Engineering Company Limited	Senior engineer
July 2010 to April 2013	Chun Wo Construction & Engineering Co., Ltd.	Site agent
May 2013 to July 2018	Leighton Contractors (Asia) Limited	Site agent

Mr. Wu Fook Cheung (胡福祥) **("Mr. Wu")**, aged 64, is our marine project manager. Mr. Wu joined our Group as a site manager in September 2016 and was promoted to the position of marine project manager in May 2018. He is primarily responsible for the overall management of our projects, daily monitoring of operation and supervision of marine project sites.

Mr. Wu has over 20 years of experience in the construction industry. Mr. Wu completed a 98-hour Technically Competent Person T1 Training Course at the Hong Kong Institute of Vocational Education in February 2014. In 2014, he also completed the training courses for risk assessment, hazard identification activity, working at height safety, accident investigation and safety inspections conducted by the Occupational Safety & Health Council. Mr. Wu's primary working experience includes:

Period of employment	Name of employer	Position(s)
April 1999 to January 2002	Kwan Sing Engineering & Construction Co. Ltd.	General foreman
February 2002 to July 2004	Wisepress Engineering Ltd.	General foreman
August 2004 to June 2005	Sino– Rise (Beijing) Development Ltd.	Coordinate supervisor
June 2005 to February 2006	Far East Dredging Ltd.	Coordinate supervisor
March 2006 to July 2008	Geomatic Surveyors Ltd.	Coordinate supervisor
July 2008 to November 2009	Kwan Sing Contractor Limited	Foreman
December 2009 to August 2016 *(Note)*	Penta-Ocean Construction Co., Ltd.	Foreman and senior foreman

Note: Mr. Wu was promoted from the role of foreman to senior foreman of Penta-Ocean Construction Co., Ltd. and held office of the aforesaid position from April 2011 till he left the company in August 2016.

Mr. Lam Sing Hon (林昇翰) **("Mr. Lam")**, aged 35, was appointed as our financial controller on 12 November 2018. Mr. Lam is primarily responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters.

Mr. Lam obtained a degree of Bachelor of Business (Accounting) from Monash University in Australia in May 2008. He was then admitted as a certified practising accountant of CPA Australia in September 2012.

Mr. Lam has over 10 years of experience in auditing, accounting and financial reporting. Prior to joining our Group, Mr. Lam worked as auditor at RSM Nelson Wheeler, a CPA firm in Hong Kong from November 2011 to March 2014. From January 2015 to November 2015, Mr. Lam was the financial controller of Progressive Foundation Company

Limited, a company principally engaged in the provision of foundation engineering works and project management business in Hong Kong and a subsidiary of LEAP Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1499). He then worked as a financial controller of CHerish Holdings Limited (currently known as Century Group International Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2113), from December 2015 to November 2018.

COMPANY SECRETARY

Mr. Yeung Ming Fai（楊銘輝）(**"Mr. Yeung"**), aged 42, was appointed as the company secretary of our Group on 24 May 2019. Mr. Yeung obtained a degree of Bachelor of Engineering in Civil and Structural Engineering (Environmental Engineering) from The University of Hong Kong in November 2000, a degree of Bachelor of Laws from University of London (distance learning) in August 2004, a Master of Laws from University of Glasgow in December 2005 and the legal professional qualification of PRC in February 2007. He further obtained the Postgraduate Certificate in Laws from City University of Hong Kong in July 2011 and was admitted as solicitor of the High Court of Hong Kong in August 2013.

Mr. Yeung worked for MWH (Hong Kong) Limited as a graduate engineer during the period from September 2000 to July 2003. He then worked for Zhong Lun Law Firm as a PRC trainee lawyer and subsequently as a PRC lawyer from March 2007 to June 2009, and for Guanghe Law Firm as a PRC lawyer from September 2009 to December 2010. He joined Robertsons Law Firm as a trainee solicitor from April 2011 to May 2013 and was employed by Cheung & Choy as a paralegal in July 2013 and worked there until September 2013. He was the company secretary of Tianhe Chemicals Group Limited, a company formerly listed on the Main Board of the Stock Exchange from March 2014 to October 2017. He worked for CMK Lawyers as consultant from November 2017 to January 2018 and joined Patrick Mak & Tse as an associate solicitor in February 2018. He is currently a partner of Patrick Mak & Tse.

BOARD COMMITTEES

The Audit Committee, Nomination Committee and Remuneration Committee were approved to be established by resolutions passed by our Board on 13 November 2020.

AUDIT COMMITTEE

Our Audit committee has written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The Audit Committee comprises three members, namely Mr. Fung, Mr. Wan and Mr. Chiu. Mr. Fung is the chairman of the Audit Committee. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and the risk management and internal control systems of our Group.

REMUNERATION COMMITTEE

Our Remuneration Committee has written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises three members, namely Mr. Wan, Mr. Fung and Mr. Chiu. Mr. Wan is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among 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 Nomination Committee has written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Nomination Committee comprises three members, namely Mr. Sherman Heung, Mr. Wan and Mr. Chiu. Mr. Sherman Heung is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, among other things, to make 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 diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Our Nomination Committee is responsible for ensuring the diversity of our Board. Our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

Our Board has a balanced mix of experiences and industry background, including executive Directors with experiences in construction, secretarial and accounting and construction technical support works. Our independent non-executive Directors have a diverse education background and equipped with professional qualifications including professional engineer, chartered surveyor, and certified public accountant. Taking into account our Company's business model and the backgrounds, abilities, age mix and the current gender composition of our Board, our Directors consider that the composition of the Board satisfies the board diversity policy. Our Company will continue to take steps to promote gender diversity at all levels of our Group, including promoting suitable female candidate at the senior management levels. The nomination committee of our Company is responsible for ensuring the diversity of the Board and will use its best efforts to continue to identify and recommend suitable female candidates for the Board's consideration and our Company will use its best efforts to maintain not less than 20% female representation in the Board by the end of 2024, subject to our Directors (i) being satisfied with the qualification and experience of the relevant candidates after a reasonable review process based on the relevant criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and the Shareholders as a whole when making the relevant appointments. Our Company will also ensure that there is gender diversity when recruiting staff at mid to senior levels such that our Company will have a pipeline of female senior management and potential successor to our Board in a few years' time in future.

For details of the composition of the nomination committee of the Board, please refer to the paragraph headed ''Board committees – Nomination committee'' in this section.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code after Listing.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Red Sun to be the compliance adviser to advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rules 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where our Company proposes to use the proceeds of 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

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors' fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The aggregate amounts of compensation payable to our Directors for the years ended 31 May 2017, 2018, 2019 and 2020 was approximately HK$0.8 million, HK$1.2 million, HK$2.5 million and HK$2.7 million, 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 (excluding directors) for the years ended 31 May 2017, 2018, 2019 and 2020 was approximately HK$0.5 million, HK$0.6 million, HK$3.1 million and HK$4.0 million, respectively.

The aggregate compensation (including Directors' fees, salaries fees, discretionary bonus, contributions to retirement benefit schemes, pension), allowances and other benefits) paid to our five highest paid individuals for the years ended 31 May 2017, 2018, 2019 and 2020 was approximately HK$2.7 million, HK$3.8 million, HK$5.2 million and HK$5.5 million, respectively.

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 May 2021 will be approximately HK$2.7 million.

During the Track Record Period, we did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office. Furthermore, none of our Directors waived any compensation for the same period. Further details of the remuneration of our Directors are set out in the paragraph headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 3. Directors' remuneration" in Appendix IV to this prospectus.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period by us or any of our subsidiaries to our Directors.

Our Directors and senior management receive compensation in the form of fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

For additional information on Directors' remuneration during the Track Record Period as well as information of the highest paid individuals, please refer to Note 9 of 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 Scheme 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 regulation. 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 13 November 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 paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise:

Authorised share capital		*HK$*
3,000,000,000	Shares	30,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

2	Shares in issue at the date of this prospectus	0.02
1,667,999,998	Shares to be issued pursuant to the Capitalisation Issue	16,679,999.98
556,000,000	Shares to be issued pursuant to the Share Offer	5,560,000
2,224,000,000	Shares	22,240,000

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 556,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank equally in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 13 November 2020, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 1,667,999,998 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 13 November 2020 (or as they may direct) in proportion to their respective 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$16,679,999.98 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.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or 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 such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the 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:

(i) 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 (not including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed "General mandate to repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until 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 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 at a 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 13 November 2020" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any 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 the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws, 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 Shares by our Company" in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of the next 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 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 or renewed by an ordinary resolution of our 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 – 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus.

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" in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, 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 any Shares to 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 and the Stock Exchange 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 Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer *(Note 1)*	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Yue Hang *(Note 2)*	Beneficial owner	1,668,000,000	75%
Mr. Sherman Heung *(Note 2)*	Interest in a controlled corporation	1,668,000,000	75%
Ms. Mok Man Yee Lisa *(Note 3)*	Interest of spouse	1,668,000,000	75%

Notes:

1. All interest stated are long positions.

2. Mr. Sherman Heung beneficially owns the entire issued share capital of Yue Hang. Therefore, Mr. Sherman Heung is deemed, or taken to be, interested in all the Shares held by Yue Hang for the purpose of the SFO.

3. Ms. Mok Man Yee Lisa is the spouse of Mr. Sherman Heung. Therefore, Ms. Mok Man Yee Lisa is deemed, or taken to be, interested in all the Shares in which Mr. Sherman Heung has, or is deemed to have, an interest for the purpose of the SFO.

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 any 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 paragraph 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.

OVERVIEW

Our Group has previously entered into certain transactions during the Track Record Period with parties which will become connected persons of our Company upon Listing. These transactions have ended and constitute discontinued connected transactions (as defined under the Listing Rules) of our Company. Details of these transactions are as follows:

Subcontracting arrangement

Connected person

Ms. Lee is our executive Director, and therefore is a connected person of our Company under Chapter 14A of the Listing Rules. Hung Chong (Foundation) Construction Company ("**Hung Chong**") is a business partnership established by Mr. Lee Kwong Kong and Mr. To Chun Yun. Mr. Lee Kwong Kong is a nephew of Ms. Lee, and hence, Hung Chong will be deemed a connected person of our Company under Chapter 14A of the Listing Rules upon Listing.

Involved transaction

On 18 September 2018, Kat Yue subcontracted certain pipeline support works to Hung Chong in the ordinary course of its business with transaction amount of approximately HK$3.0 million. The contract sum for the pipeline support works was determined with reference to the market price for similar subcontract works payable to subcontractors being Independent Third Parties and the contract was awarded to Hung Chong after a competitive bidding process. The contract was completed in January 2019 and there was no other similar transaction that has been entered into between Kat Yue and Hung Chong during the Track Record Period and up to the Latest Practicable Date.

Our Directors consider that the subcontracting arrangement with Hung Chong was agreed after arm's length negotiation and the terms of the subcontracting arrangement were fair and reasonable and in the interests of our Company and our Shareholder(s) as a whole.

Tenancy agreement

Connected person

Mr. Sherman Heung is our Controlling Shareholder and executive Director, and therefore is a connected person of our Company under Chapter 14A of the Listing Rules.

Involved transaction

On 20 March 2019, Kat Yue entered into a tenancy agreement (the "**Tenancy Agreement**") with Mr. Sherman Heung, pursuant to which Kat Yue agreed to lease the premise located at Room 1601, 16/F, Keybond Commercial Building, Kowloon, Hong Kong (the "**Property**") from Mr. Sherman Heung for office use for a term of 15 months from 15 March 2019 to 14 June 2020 at a monthly rental fee of HK$19,200 for the period from 15 March 2019 to 14 June 2019 and HK$20,000 for the period from 15 June 2019 to 14

June 2020. The Tenancy Agreement was expired since 15 June 2020, and there was no other similar transaction that has been entered into between Kat Yue and Mr. Sherman Heung during the Track Record Period and up to the Latest Practicable Date. Since 2018, our Group has been leasing Room 801, 8/F, Keybond Commercial Building, Kowloon, Hong Kong ("**Room 801**") for our office use. Due to the need for office expansion, our Group has further leased Room 804, 8/F, Keybond Commercial Building, Kowloon, Hong Kong since December 2018 and the Property since March 2019, with Room 801 as our headquarters and principal place of business in Hong Kong.

Our Directors consider that leasing the Property was convenient in terms of human resource management and proximity of location. The monthly rental fee payable by our Group under the Tenancy Agreement was determined with reference to the applicable market rental rates of similar properties in the vicinity. In order to ensure that the rental 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. For the years ended 31 May 2017, 2018, 2019 and 2020, the rental fee/lease payment paid to Mr. Sherman Heung in relation to the Property amounted to approximately nil, nil, HK$49,000 and HK$240,000, respectively.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set forth in the accountants' report in Appendix I to this prospectus. The accountants' report has been prepared in accordance with the HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a Hong Kong-based marine construction works subcontractor specialising in marine construction works and supplemented by our vessel chartering services and other civil engineering works during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the marine construction works carried out by us included, among others, (i) reclamation works; (ii) regulation and deposition of sand blanket works; (iii) submarine pipeline works; and (iv) sediment treatment works. With a view to supplement our marine construction works, we also provided vessel chartering services to our customers where we chartered vessels for a specific period with the provision of crew members for operation and management of the vessels if required by our customers. In addition, we were also engaged in other civil engineering works including foundation works, site formation works and roads and drainage works. Our marine construction works and other civil engineering works are generally provided on a project-by-project basis.

For the years ended 31 May 2017, 2018, 2019 and 2020, our revenue was approximately HK$216.1 million, HK$269.6 million, HK$297.3 million and HK$313.7 million, respectively, of which our revenue generated from (i) marine construction works accounted for approximately HK$172.5 million, HK$182.7 million, HK$175.3 million and HK$186.3 million, respectively; (ii) vessel chartering services accounted for approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and HK$3.6 million, respectively; and (iii) other civil engineering works accounted for approximately HK$11.4 million, HK$4.6 million, HK$98.3 million and HK$123.7 million, respectively.

BASIS OF PRESENTATION

Prior to the Share Offer, our Group had undergone the Reorganisation after which our Company has become the holding company of the companies now comprising our Group since 30 August 2018. Please refer to the section headed "History, Development and Reorganisation" in this prospectus for further details.

The financial information sets out in the Accountants' Report in Appendix I to this prospectus has been prepared based on the applicable accounting policies which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" ("**AG5**") issued by HKICPA as if our Group had always been in existence.

In applying Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of our Group as at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure has been in existence at those dates, taken into account the respective dates of incorporation, where applicable.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

Our revenue mainly relies on successful tenders of or acceptance of our quotations for marine construction works, vessel chartering services and other civil engineering works which are non-recurring in nature and any failure of our Group to secure projects from our existing customers and/or new customers in the future would affect our business operation and financial results.

During the Track Record Period and up to the Latest Practicable Date, our revenue was mainly derived from our marine construction works, vessel chartering services and other civil engineering works in Hong Kong. We secured our marine construction works and other civil engineering works mainly a competitive tender or quotation process and were awarded on a non-recurring basis whereas our customers for our vessel chartering services generally request for our quotation on an as-needed basis. We do not have any long-term commitment with our customers but we are engaged by them on a case-by-case basis.

We cannot assure that our existing customers or potential customers will invite us to participate in their tendering/quotation processes or request for quotation or that we will be able to secure new contracts from them in the future or that they will maintain their current level of business with us in the future.

Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts, our business in general and our results of operations and financial performance may be adversely and materially affected. For further information on the tenders or quotations submitted for our marine construction works and other civil engineering works and our success rate for tenders/quotations during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Business – Business model and our operation – Marine construction works or other civil engineering works – 1. Invitation for tender or quotations, preparation and submission – Tenders or quotations submitted for our projects" in this prospectus.

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

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers' revenue contribution for each of the years ended 31 May 2017, 2018, 2019 and 2020 accounted for approximately 85.3%, 92.8%, 92.6% and 79.3% of our revenue for the corresponding period, respectively. For the same period, our largest customer accounted for approximately 25.6%, 36.4%, 33.1% and 32.6% of our revenue, respectively.

There is no assurance that we will be able to retain our customers upon completion of each contract or that they will maintain their current level of business with us in future. If there is any significant decrease in the number of contracts or size of contracts in terms of contract sums awarded by our major customers to us for whatever reasons, or if we are unable to obtain suitable contracts of a comparable scale and quantity as replacement, our financial conditions and operating results would be materially and adversely affected.

We cannot guarantee that we will be able to diversify our customer base by obtaining new projects from our existing and new potential customers.

Our ability to compete for contracts largely depends on the availability of vessels and site equipment

Our capacity to provide marine construction works and vessel chartering services for our customers largely depends on the availability of our vessels and site equipment. As at the Latest Practicable Date, we owned a total of ten vessels including one tug boat, one work boat, one multi-purposes vessel, one dumb lighter and six special purpose vessels and a total of 49 units of site equipment which includes excavators, generators, GPS and AIS. Some of our site equipment such as excavators and generators can be used in both marine construction works and other civil engineering works.

If we cannot meet the demand of our customers using our own available vessels and site equipment, we may need to charter and/or purchase the required vessels, and lease/ purchase the required site equipment from third parties which may result in higher costs, lower profit margins as well as uncertainties as to the availability of required vessels and site equipment in the market when required. Thus, the number of contracts that our Group can take up simultaneously at any given time is to a certain extent limited by our resources including the availability of our vessels and site equipment.

Further, for any sudden and urgent need for additional vessels or site equipment to perform our obligations under the contracts awarded, we may not be able to obtain, including by way of lease and/or purchase, the proper, suitable, compatible or most advanced vessel and/or equipment in a timely manner or at commercially acceptable terms to us, or at all.

In addition, our vessels and site equipment may succumb to breakdown and repair or replacement of such vessels and site equipment may not be readily available that will in turn result in extra costs and/or delay in performing the contracts. Our operations are capital intensive and we are prone to vessels and site equipment breakdowns and amid regular maintenance. This may adversely affect our business relationship with our customers. In addition, significant expenses may be incurred to repair or replace defective vessels and site equipment.

Even if we can afford to purchase the necessary vessel, the whole process from placing order to manufacturing to delivery and to obtain necessary certificate and licence from the relevant authority for the vessel to operate will take a lengthy period, in the order of around six months.

If any of the above events occur frequently, it may cause delays to our progress in performing contracts and higher costs and as a result, our business, revenue and profitability will be adversely affected.

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results

In general, we do not receive any prepayment from our customers. We may incur various costs, including but not limited to: (i) material costs; (ii) leasing expenses for site equipment and/or chartering costs for vessels; and (iii) settlement of our workers' salary and our subcontractors' costs during the initial stage of projects. As such, we would record significant cash outflow at a particular period in the event that we are engaged in several substantial projects at the same time. Our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us and, therefore we are subject to credit risks of our customers. For details of the mechanisms of the progress payment and retention money, please refer to the paragraphs headed "Business – Business model and our operation – Marine construction works or other civil engineering works – 3. Project execution – (iii) Customer inspection and acceptance, and progress payment" and "Business – Business model and our operation – Marine construction works or other civil engineering works – 4. Practical completion of works" in this prospectus.

As at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020, the trade receivables amounted to approximately HK$16.8 million, HK$23.2 million, HK$15.0 million and HK$10.4 million, respectively, which accounted for approximately 53.8%, 24.3%, 15.1% and 10.0% of the total current assets for the corresponding periods. In addition, the trade receivables' turnover days were approximately 14.3 days, 27.1 days, 23.4 days and 14.8 days for each of the years ended 31 May 2017, 2018, 2019 and 2020, respectively. For details of the fluctuations in our receivables, please refer to the paragraph headed "Financial

Information – Analysis of various items from the consolidated statements of financial position – Trade and other receivables" in this prospectus. We cannot assure that we will be able to collect the amounts or trade receivables due from our customers in full or at all from our customers within the agreed credit terms or at all.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our Group's financial position and results of operations as included in this prospectus based on the consolidated financial statements prepared using the significant accounting policies set forth in Note 2 of the Accountants' Report set out in Appendix I to this prospectus, which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

In the application of our Group's accounting policies, the management of our Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Below is a summary of certain significant accounting policies and estimates that our Directors consider to be significant, the details of which are set forth in Notes 2 and 3 of the Accountants' Report set out in Appendix I to this prospectus.

Revenue recognition

Income is classified by our Group as revenue when it arises from the sales of goods, the provision of services or the use by others of our Group's assets under leases in the ordinary course of our Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes the value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For further details, please refer to Note 2(q) headed "Significant accounting policies – Revenue and other income" to the Accountants' Report in Appendix I to this prospectus.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

The HKICPA has issued new accounting standards including (i) HKFRS 9 "*Financial Instruments*" and HKFRS 15 "*Revenue from contracts with customers*", which are effective for accounting period beginning on 1 June 2018 and have been consistently applied throughout the Track Record Period; and (ii) HKFRS 16 "*Leases*" which is effective for annual periods beginning on or after 1 June 2019. These accounting standards supersede Hong Kong Accounting Standard ("**HKAS**") 39 "*Financial instruments*", HKAS 18 "*Revenue*" and HKAS 17 "*Leases*", respectively. In preparing our Group's financial statements, our Group has early applied HKFRS 9 and HKFRS 15 throughout the Track Record Period, except that our Group adopted HKFRS 16 since 1 June 2019 and applied HKAS 17 for the three years ended 31 May 2019. Our Group applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. We have carried out an assessment with our best efforts of the principles set out in HKAS 39, HKAS 18 and HKAS 17, and a summary of this is provided below:

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers

The adoption of HKFRS 9 and HKFRS 15 do not have any significant impact on our Group's financial position and performance during the Track Record Period when compared with HKAS 39 and HKAS 18.

HKFRS 16 "Leases"

Our Group has initially applied HKFRS 16 from 1 June 2019. Our Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 June 2019. Comparative information has not been restated and continues to be reported under HKAS 17. For details on changes in accounting policy of HKFRS 16, please refer to Note 1 of the Accountants' Report set out in Appendix I to this prospectus. As disclosed in Note 19 of the Accountants' Report set out in the Appendix I to this prospectus, as at 31 May 2020 our Group's present value of minimum lease payments amounted to approximately HK$531,000. Please refer to Note 23(b) of the Accountants' Report set out in Appendix I to this prospectus for details on our Group's commitment for future minimum lease payments under non-cancellable operating lease falling due as at 31 May 2017, 2018, 2019 and 2020.

As a result of our adoption of HKFRS 16 on 1 June 2019, considering that (i) the increase of approximately HK$1,260,000 in our property, plant and equipment (under non-current asset) as at 1 June 2019; and (ii) the increase of approximately HK$1,220,000 in lease liabilities (under both current and non-current liabilities) as at 1 June 2019, our Directors are of the view that the application of HKFRS 16 did not have a significant impact on our Group's (i) financial position and performance; and (ii) key financial ratios compared to those have been presented under HKAS 17.

Please refer below for details on the impact of adoption of HKFRS 16 on our Group's financial performance for the year ended 31 May 2020 and financial position as at 31 May 2020.

	For the year ended 31 May 2020			
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expenses**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(Note)*	**Hypothetical amounts as if under HKAS 17**
	(A)	**(B)**	**(C)**	**(D = A+B-C)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial results for the year ended 31 May 2020 impacted by adoption of HKFRS 16:				
Profit from operations	35,199	723	(721)	35,201
Finance costs	(329)	32	–	(297)
Profit before taxation	34,870	755	(721)	34,904
Profit for the year	28,113	755	(721)	28,147

	Amounts reported under HKFRS 16	**Add back: HKFRS 16 right-of-use assets, lease liabilities depreciation and interest expenses**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(Note)*	**Hypothetical amounts as if under HKAS 17**
	(A)	**(B)**	**(C)**	**(D = A+B-C)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial position as at 31 May 2020 impacted by adoption of HKFRS 16:				
Property, plant and equipment	49,051	(537)	–	48,514
Trade and other receivables	33,013	40	–	33,053
Cash and cash equivalents	31,013	721	(721)	31,013
Lease liabilities (current)	531	(531)	–	–
Net current assets	56,146	1,292	(721)	56,717
Net assets	100,150	755	(721)	100,184
Retained earnings	100,150	755	(721)	100,184

Note: The "estimated amounts related to operating leases" is an estimate of the amounts of cash flows during the year ended 31 May 2020 that relate to leases which would have been classified as operating leases, in case HKAS 17 had still applied for the year ended 31 May 2020. This estimate assumes that there were no differences between rentals and cash flows and all of the new leases entered into during the year ended 31 May 2020 would have been classified as operating leases under HKAS 17, in case HKAS 17 had still applied for the year ended 31 May 2020. Any potential net tax effect is ignored.

SUMMARY OF RESULTS OF OPERATIONS

The table below presents the summary of consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period extracted from the Accountant's Report as set out in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	216,062	269,630	297,302	313,650
Direct costs	(187,616)	(226,902)	(244,465)	(262,616)
Gross profit	28,446	42,728	52,837	51,034
Other income	1,120	808	193	323
General and administrative expenses	(3,289)	(4,211)	(7,347)	(8,948)
Listing expenses	–	–	(9,480)	(7,210)
Profit from operations	26,277	39,325	36,203	35,199
Finance costs	–	–	(80)	(329)
Profit before taxation	26,277	39,325	36,123	34,870
Income tax	(3,937)	(6,337)	(7,371)	(6,757)
Profit and total comprehensive income for the year	22,340	32,988	28,752	28,113

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We are a Hong Kong-based marine construction works subcontractor specialising in reclamation works and supplemented by our vessel chartering services and other civil engineering works during the Track Record Period. For the years ended 31 May 2017, 2018, 2019 and 2020, our total revenue amounted to approximately HK$216.1 million, HK$269.6 million, HK$297.3 million and HK$313.7 million, of which (i) approximately HK$172.5 million, HK$182.7 million, HK$175.3 million and HK$186.3 million of revenue was generated from provision of marine construction works, representing approximately 79.8%, 67.8%, 59.0% and 59.4% of our total revenue, respectively; (ii) approximately HK$32.2 million, HK$82.3 million, HK$23.8 million and HK$3.6 million of revenue was generated from vessel chartering services, representing approximately 14.9%, 30.5%, 7.9% and 1.2% of our total revenue, respectively; and (iii) approximately HK$11.4 million, HK$4.6 million, HK$98.3 million and HK$123.7 million of revenue was generated from provision of other civil engineering works, representing approximately 5.3%, 1.7%, 33.1% and 39.4% of our total revenue, respectively.

The following table sets forth a breakdown of our Group's revenue during the Track Record Period by business segment:

	Year ended 31 May							
	2017		2018		2019		2020	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK$'000		*HK$'000*		*HK$'000*		*HK$'000*	
Marine construction works	172,480	79.8	182,706	67.8	175,260	59.0	186,327	59.4
Vessel chartering services	32,180	14.9	82,302	30.5	23,781	7.9	3,597	1.2
Other civil engineering works	11,402	5.3	4,622	1.7	98,261	33.1	123,726	39.4
Total revenue	216,062	100.0	269,630	100.0	297,302	100.0	313,650	100.0

Set out below is a breakdown of the marine construction projects, vessel chartering contracts and other civil engineering projects with initial contract sum over HK$5.0 million (i.e. sizeable projects) undertaken by our Group during the Track Record Period:

Year	Revenue recognised from marine construction projects (with initial contract sum over HK$5.0 million)	Revenue recognised from vessel chartering arrangements (with initial contract sum over HK$5.0 million)	Revenue recognised from other civil engineering projects (with initial contract sum over HK$5.0 million)	Revenue recognised from projects (with initial contract sum less than HK$5.0 million)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)	*(Note)*	*(Note)*	*(Note)*	
Year ended 31 May 2017	171,930	30,713	–	13,419	216,062
Year ended 31 May 2018	172,961	82,286	–	14,383	269,630
Year ended 31 May 2019	172,620	21,940	98,261	4,481	297,302
Year ended 31 May 2020	186,327	–	123,726	3,597	313,650

Note: The initial contract sum is based on the contract sum specified in the contract or our management's estimate primarily based on (i) the specified unit rate and the quantity of works required during the project period; or (ii) the latest available information.

As set out in the table above, our revenue derived from sizeable projects amounted to approximately HK$202.6 million, HK$255.2 million, HK$292.8 million and HK$310.1 million, representing approximately 93.8%, 94.7%, 98.5% and 98.8% of our total revenue for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

As our Group is a marine construction works subcontractor specialising in reclamation works and the fact that, in general, most marine construction projects undertaken by us during the Track Record Period are sizeable projects. On this basis, we have derived a significant portion of our revenue from sizeable marine construction projects which amounted to approximately HK$171.9 million, HK$173.0 million, HK$172.6 million and HK$186.3 million, representing approximately 79.6%, 64.1%, 58.1% and 59.4% of our total revenue for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

Our marine construction works are supplemented by our vessel chartering services and other civil engineering works, of which we also derived certain of our revenue during the Track Record Period, of which (i) approximately HK$30.7 million, HK$82.3 million, HK$21.9 million and nil, representing approximately 14.2%, 30.5%, 7.4% and nil of our total revenue for the years ended 31 May 2017, 2018, 2019 and 2020, was attributable to sizeable vessel chartering arrangements, respectively; and (ii) approximately nil, nil, HK$98.3 million and HK$123.7 million, representing nil, nil, approximately 33.1% and 39.4% of our total revenue for the years ended 31 May 2017, 2018, 2019 and 2020, was attributable to sizeable other civil engineering projects, respectively. During the Track Record Period, the initial contract sums of our sizeable projects undertaken by our Group ranged from not less than HK$5 million to in excess of HK$100.0 million, the majority of which were completed within one to two years.

For the years ended 31 May 2017, 2018, 2019 and 2020, we had been awarded seven, four, 12 and 14 projects and completed three, five, seven and seven projects, respectively, details of which are set out in the table below:

(i) Marine construction works

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	**2018**	**2019**	**2020**	
Projects brought forward from prior year/period	1	4	4	6	9
Projects awarded during the year/period	6	4	8	8	1
Projects completed during the year/period	3	4	6	5	4
Projects carried forward to next year/period	4	4	6	9	6

(ii) Other civil engineering works

	For the year ended 31 May				From 1 June 2020 and up to the Latest Practicable Date
	2017	**2018**	**2019**	**2020**	
Projects brought forward from prior year/period	–	1	–	3	7
Projects awarded during the year/period	1	–	4	6	–
Projects completed during the year/period	–	1	1	2	2
Projects carried forward to next year/period	1	–	3	7	5

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.

2. The completion date is based on our management's estimates according to the completion date specified in the practical completion certificate (if any), as set out in our record or with reference to the completion record issued by us.

3. For project 036 and project 057 where the projects consist of both marine construction works and other civil engineering works in one contract awarded, the projects will be counted as two projects in terms of number of projects in the project backlog only and the contract value is apportioned based on the type of works performed/to be performed under the contract.

4. The outstanding aggregate contract value of new projects and variation orders comprised of recognised variation orders of approximately HK$26.1 million, HK$37.7 million, HK$77.1 million and HK$38.9 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively.

5. The closing value of the outstanding aggregate contract value at the end of the year/period as set out in the tables headed "(i) Marine construction works" and "(ii) Other civil engineering works" for the year ended 31 May 2020 of approximately HK$199.6 million and HK$176.9 million, respectively, was approximately HK$376.5 million, in aggregate. As set out under note 4 "Revenue and Segment Reporting – (a) Revenue – (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date" in Appendix I to this prospectus, the aggregate amount of the transaction price allocated to the remaining performance obligations under our Group's existing contracts is approximately HK$142.8 million, the difference of approximately HK$233.7 million is the aggregate contract value exempted from disclosure in accordance with practical expedient in paragraph 121 of HKFRS 15, of which approximately HK$135.6 million and HK$98.1 million was related to marine construction works and other civil engineering works, respectively. For information purposes, our Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as (i) the performance obligation is part of a contract that has an original expected duration of one year or less; or (ii) our Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to customer of our Group's performance completed to date.

As at the Latest Practicable Date, we had 10 projects in progress including five marine construction projects, four other civil engineering projects and one project involving both marine construction and other civil engineering works, with an initial contract sum of approximately HK$406.8 million and the estimated revenue of our projects in progress to be recognised subsequent to the Track Record Period amounted to approximately HK$372.1 million.

For further details of (i) projects completed during the Track Record Period and up to the Latest Practicable Date; and (ii) projects on hand but not yet commenced as at the Latest Practicable Date, please refer to paragraph headed "Business – Our marine construction and other civil engineering projects" in this prospectus. In addition, for information on (i) tenders to be submitted in response to tender invitations received; and (ii) tenders submitted which are pending results, as at the Latest Practicable Date, please refer to the section headed "Future Plans and Use of Proceeds – Reasons for listing – Ongoing demand for our principal businesses" in this prospectus.

Our aggregate revenue recorded during the Track Record Period was substantially higher than the aggregate revenue recorded during the three financial years immediately prior to the Track Record Period. The primary reasons for and the circumstances leading to such increase were that our Company strategically devoted our efforts in technical development of non-dredging reclamation methods as evidenced by, among others, our participation in the first DCM trial work carried out in Hong Kong and did not commit as much effort prior to the Track Record Period to develop our business in marine construction works and/or other civil engineering works. Such was attributable to the fact that our Directors considered key success factors to be, among others, (i) capabilities to devise innovative method and approach for carrying out marine construction works and contribute technical advice to customers; (ii) establish reputation and proven track record in marine construction works; and (iii) experienced management, project management and supervision staff with operational expertise and technical knowledge, accordingly our business strategy prior to the Track Record Period was to devote efforts in the technical development of non-dredging reclamation methods to allow us to gain more knowledge in the work methods of marine construction works, such together with our accumulated experience in marine construction works, would enable us to provide technical advice to further improve our work methods. This business strategy has proven to be successful, as, (i) through collaboration with our technical team, we has successfully developed the special enclosed deposition method for reclamation works which we considered to be more efficient as compared with the traditional approach; and (ii) our working experience and expertise in marine construction works, in particular, our focusing on non-dredging reclamation works and the successful utilisation of our special enclosed deposition method for non-dredging reclamation works in Hong Kong has enabled us to establish ourselves in the marine construction industry, and allowed us to compete for and be awarded with sizeable marine construction works during the Track Record Period.

According to the Ipsos Report, although the non-dredging method for reclamation works was first introduced and adopted in the Hong Kong Boundary Crossing Facilities artificial island in or around late 2011, being a relatively small scale project, the non-dredging method for reclamation works was only widely adopted and started to dominate the reclamation works industry in Hong Kong after the commencement of the 3RS project, a large-scaled non-dredging reclamation project works initiated in or around August 2016, which was supported by the Government and the Airport Authority. Further information on the background and reasons for the non-dredging method reclamation projects becoming mainstream are set out under section headed "Industry Overview – Competitive landscape of the reclamation works industry in Hong Kong – Market drivers and opportunities – Introduction of environment-friendly reclamation method" in this prospectus. Against this backdrop, we were able to leverage our working experience and expertise in marine construction works, in particular, our focus on non-dredging reclamation works and successful development of the special enclosed deposition method for non-dredging reclamation works in Hong Kong, and seize the opportunities arising from the marine construction industry in Hong Kong. According to the Ipsos Report, during the Track Record Period, there were a total of six contracts involving reclamation works for the 3RS project of which our Group acted as a marine construction works subcontractor for five of these contracts. Our involvement in these contracts included reclamation works using our special enclosed deposition method.

As a result of the foregoing, our aggregate revenue recorded during the Track Record Period was substantially higher than the aggregate revenue recorded during the three financial years immediately prior to the Track Record Period.

Direct costs

Our direct costs during the Track Record Period primarily consisted of (i) subcontracting costs; (ii) direct labour costs; (iii) material costs; (iv) rental of vessels and equipment; and (v) others. The following table set forth a breakdown of our direct costs during the Track Record Period.

	Year ended 31 May							
	2017		2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting costs	52,366	27.9	67,640	29.8	172,361	70.5	201,733	76.8
Direct labour costs	23,890	12.7	49,874	22.0	18,844	7.7	22,647	8.6
Materials costs	58,611	31.2	11,602	5.1	7,633	3.1	1,576	0.6
Rental of vessels and equipment	45,669	24.3	85,093	37.5	31,613	12.9	14,302	5.4
Others	7,080	3.9	12,693	5.6	14,014	5.8	22,358	8.6
Total direct costs	187,616	100.0	226,902	100.0	244,465	100.0	262,616	100.0

Subcontracting costs

Subcontracting costs primarily represented costs paid and payable to subcontractors engaged to carry out specific tasks of our projects. In addition, subject to terms of the subcontract, the subcontractor may be responsible for the provision of the relevant equipment to carry out their works. For the years ended 31 May 2017, 2018, 2019 and 2020, our subcontracting costs amounted to approximately HK$52.4 million, HK$67.6 million, HK$172.4 million and HK$201.7 million, respectively, representing approximately 27.9%, 29.8%, 70.5% and 76.8% of our total direct costs for the corresponding period, respectively. Given our subcontracting costs contributed a significant part of our direct costs during the Track Record Period, the availability of the relevant subcontractors at acceptable terms in a timely manner would affect our operations. As the cost structure of each of our contracts varied, subject to factors such as, scope of works, schedule of works, manpower requirement and availability of our operational and financial resources, the composition of our overall direct costs would fluctuate from year to year.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting costs on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 5.0% and 10.0% are based on the historical fluctuations:

Hypothetical fluctuations in subcontracting costs	+10.0%	+5.0%	-5.0%	-10.0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 May 2017	(5,236.6)	(2,618.3)	2,618.3	5,236.6
For the year ended 31 May 2018	(6,764.0)	(3,382.0)	3,382.0	6,764.0
For the year ended 31 May 2019	(17,236.1)	(8,618.0)	8,618.0	17,236.1
For the year ended 31 May 2020	(20,173.3)	(10,086.7)	10,086.7	20,173.3

Direct labour costs

Direct labour costs mainly consisted of salaries and other employee related expenses of workers directly employed by us. For the years ended 31 May 2017, 2018, 2019 and 2020, our direct labour costs amounted to approximately HK$23.9 million, HK$49.9 million, HK$18.8 million and HK$22.6 million, respectively, representing approximately 12.7%, 22.0%, 7.7% and 8.6% of our total direct costs for the corresponding period, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct labour costs on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 5.0% and 10.0% are based on the historical fluctuations:

Hypothetical fluctuations in direct labour costs	+10.0%	+5.0%	-5.0%	-10.0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 May 2017	(2,389.0)	(1,194.5)	1,194.5	2,389.0
For the year ended 31 May 2018	(4,987.4)	(2,493.7)	2,493.7	4,987.4
For the year ended 31 May 2019	(1,884.4)	(942.2)	942.2	1,884.4
For the year ended 31 May 2020	(2,264.7)	(1,132.4)	1,132.4	2,264.7

Material costs

Material costs mainly represented costs of materials utilised in our contracts. For the years ended 31 May 2017, 2018, 2019 and 2020, our material costs amounted to approximately HK$58.6 million, HK$11.6 million, HK$7.6 million and HK$1.6 million, respectively, representing approximately 31.2%, 5.1%, 3.1% and 0.6% of our total direct costs for the corresponding period, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our material costs on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 5.0% and 10.0% are based on the historical fluctuations:

Hypothetical fluctuations in material costs	+10.0%	+5.0%	-5.0%	-10.0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 May 2017	(5,861.1)	(2,930.6)	2,930.6	5,861.1
For the year ended 31 May 2018	(1,160.2)	(580.1)	580.1	1,160.2
For the year ended 31 May 2019	(763.3)	(381.6)	381.6	763.3
For the year ended 31 May 2020	(157.6)	(78.8)	78.8	157.6

Rental of vessels and equipment

Rental of vessels and equipment arising from carrying out our works for the years ended 31 May 2017, 2018, 2019 and 2020 amounted to approximately HK$45.7 million, HK$85.1 million, HK$31.6 million and HK$14.3 million, respectively, representing approximately 24.3%, 37.5%, 12.9% and 5.4% of our total direct costs for the corresponding period, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the rental of vessels and equipment on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 5.0% and 10.0% are based on the historical fluctuation in fluctuations:

Hypothetical fluctuations in rental of vessels and equipment	+10.0%	+5.0%	-5.0%	-10.0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 May 2017	(4,566.9)	(2,283.5)	2,283.5	4,566.9
For the year ended 31 May 2018	(8,509.3)	(4,254.7)	4,254.7	8,509.3
For the year ended 31 May 2019	(3,161.3)	(1,580.6)	1,580.6	3,161.3
For the year ended 31 May 2020	(1,430.2)	(715.1)	715.1	1,430.2

Others

Other direct costs included, among others, fuel, depreciation, consultancy fee, repair and maintenance costs and other expenses, amounted to approximately HK$7.1 million, HK$12.7 million, HK$14.0 million and HK$22.4 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively, representing approximately 3.9%, 5.6%, 5.8% and 8.6% of our total direct costs for the corresponding period, respectively.

Gross profit and gross profit margin

Our gross profit margin by business segment is calculated with respect to the segment results as set out in Appendix I to this prospectus. For the years ended 31 May 2017, 2018, 2019 and 2020, our gross profit amounted to approximately HK$28.4 million, HK$42.7 million, HK$52.8 million and HK$51.0 million, while our gross profit margin was approximately 13.2%, 15.8% and 17.8% and 16.3%, respectively.

For the year ended 31 May 2017, we derived a gross profit of approximately HK$28.4 million, of which (i) approximately HK$18.7 million was generated from our marine construction works at a gross profit margin of approximately 10.8%; (ii) approximately HK$6.0 million was generated from our vessel chartering services at a gross profit margin of approximately 18.9%; and (iii) approximately HK$3.7 million was generated from our other civil engineering works at a gross profit margin of approximately 32.2%.

For the year ended 31 May 2018, we derived a gross profit of approximately HK$42.7 million, of which (i) approximately HK$21.5 million was generated from our marine construction works at a gross profit margin of approximately 11.8%; (ii) approximately HK$20.6 million was generated from our vessel chartering services at a gross profit margin of approximately 25.0%; and (iii) approximately HK$0.7 million was generated from our other civil engineering works at a gross profit margin of approximately 14.1%.

For the year ended 31 May 2019, we derived a gross profit of approximately HK$52.8 million, of which (i) approximately HK$40.8 million was generated from our marine construction works at a gross profit margin of approximately 23.3%; (ii) approximately HK$6.5 million was generated from our vessel chartering services at a gross profit margin of approximately 27.4%; and (iii) approximately HK$5.5 million was generated from our other civil engineering works at a gross profit margin of approximately 5.6%.

For the year ended 31 May 2020, we derived a gross profit of approximately HK$51.0 million, of which (i) approximately HK$39.5 million was generated from our marine construction works at a gross profit margin of approximately 21.2%; (ii) approximately HK$0.8 million was generated from our vessel chartering services at a gross profit margin of approximately 23.5%; and (iii) approximately HK$10.6 million was generated from our other civil engineering works at a gross profit margin of approximately 8.6%.

For details, please refer to the paragraph headed "Period to period comparison of results of operations" in this section.

As the cost structure of each of our contracts varied, subject to factors such as, scope of works, schedule of works, manpower requirement and availability of our operational and financial resources at the relevant time, the gross profit of our Group has fluctuated from year to year.

Other income

Our other income was approximately HK$1.1 million, HK$0.8 million and HK$0.2 million for the years ended 31 May 2017, 2018 and 2019, respectively, which was mainly derived from consultancy fee income and disposal of three vessels. Our other income was approximately HK$0.3 million for the year ended 31 May 2020, which was mainly attributable to the compensation received derived from the recovery of repair expenses from an independent third party.

General and administrative expenses

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

	Year ended 31 May							
	2017		2018		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	1,669	50.7	2,354	55.9	4,924	67.0	5,337	59.6
Staff welfare	451	13.7	460	10.9	143	2.0	110	1.2
Rental expenses	234	7.1	222	5.3	396	5.4	–	–
Office expenses	100	3.0	88	2.1	246	3.4	117	1.3
Depreciation	97	3.0	245	5.8	348	4.7	1,179	13.2
Travelling expenses	247	7.5	329	7.8	267	3.6	356	4.0
Legal and professional fees	239	7.3	234	5.6	560	7.6	1,317	14.7
Other expenses	252	7.7	279	6.6	463	6.3	532	6.0
Total general and administrative expenses	3,289	100.0	4,211	100.0	7,347	100.0	8,948	100.0

Our general and administrative expenses amounted to approximately HK$3.3 million, HK$4.2 million, HK$7.3 million and HK$8.9 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively, which accounted for approximately 1.5%, 1.6%, 2.5% and 2.9% of our total revenue during the respective periods. The largest item under general and administrative expenses was employee benefit expenses during Track Record Period. Employee benefit expenses, which primarily consisted of salaries and wages, amounted to approximately HK$1.7 million, HK$2.4 million, HK$4.9 million and HK$5.3 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively, accounted for approximately 50.7%, 55.9%, 67.0% and 59.6% of the total general and administrative expenses during the respective periods. The employee benefit expenses increased from approximately HK$1.7 million for the year ended 31 May 2017 to approximately HK$2.4 million for the year ended 31 May 2018, such increase was mainly attributable to the increase in directors' remuneration by approximately HK$0.4 million. The employee benefit expenses further increased from approximately HK$2.4 million for the year ended 31 May 2018 to approximately HK$4.9 million for the year ended 31 May 2019, such increase was mainly attributable to (i) the increase in salary of Mr. Sherman Heung, being our Chairman and executive Director; and (ii) increase in employee benefit expenses (excluding directors'remuneration) due to the increased number of office staff attributable to business expansion from four as at 31 May 2018 to 12 as at 31 May 2019 (excluding our Directors). The employee benefit expenses increased from approximately HK$4.9 million for the year ended 31 May 2019 to approximately HK$5.3 million for the year ended 31 May 2020, such increase was mainly attributable to (i) the increase number of office staff; and (ii) the increase in salary of our office staff.

The remaining balance of general and administrative expenses mainly consisted of staff welfare, rental expenses, office expenses, depreciation, travelling expenses, legal and professional fees and other expenses.

Income tax

All of our Group's revenue during the Track Record Period was derived in Hong Kong. Therefore, our Group was subject to profits tax in Hong Kong. Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period.

During the Track Record Period, our income tax expense for the year can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follow:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	26,277	39,325	36,123	34,870
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	4,335	6,323	5,795	5,589
Tax effect of non-taxable income	–	(1)	–	(9)
Tax effect of non-deductible expenses	1	15	1,565	1,191
Tax effect of temporary differences not recognised	9	–	–	6
Statutory tax concession	(30)	–	–	–
(Over)/under-provision in prior year	(20)	–	11	(20)
Utilisation of previously unrecognised tax losses	(358)	–	–	–
Actual income tax expense	3,937	6,337	7,371	6,757
Effective tax rate	15.0%	16.1%	20.4%	19.4%

Notes:

(1) The provision for Hong Kong Profits Tax for the year ended 31 May 2017 is calculated at 16.5% of the estimated assessable profits for the year ended 31 May 2017, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of HK$30,000.

(2) The two-tiered profits tax rates regime is effective from the year of assessment of 2018/19, in which the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25% and assessable profits above HK$2,000,000 will be taxed at 16.5%.

For the years ended 31 May 2017, 2018, 2019 and 2020, we recorded actual income tax expenses of approximately HK$3.9 million, HK$6.3 million, HK$7.4 million and HK$6.8 million, representing an effective tax rate of approximately 15.0%, 16.1%, 20.4% and 19.4%, respectively. For further details on tax payables, please refer to paragraph headed "Financial Information – Tax Payable" in this section.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute with the relevant tax authorities in Hong Kong.

Non-HKFRS measures

The non-HKFRS adjusted profit was approximately HK$22.3 million, HK$33.0 million, HK$38.2 million and HK$35.3 million for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. The non-HKFRS adjusted profit represents profit for the year excluding the listing expenses incurred during the corresponding year. We did not record any listing expenses for the two years ended 31 May 2017 and 2018. For the two years ended 31 May 2019 and 31 May 2020, approximately HK$9.5 million and HK$7.2 million of listing expenses were recorded in the consolidated statements of profit or loss and other comprehensive income, respectively. Adjusted net profit is not a measure of performance under HKFRS. The following table sets forth a reconciliation between profit for the year as presented in accordance with HKFRS and the non-HKFRS adjusted profit for the year:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year	22,340	32,988	28,752	28,113
Adjusted for:				
Listing expenses	–	–	9,480	7,210
Non-HKFRS adjusted profit for the year	22,340	32,988	38,232	35,323

It should be noted that the adjusted net profit is not a measure of performance under HKFRS and that the use of adjusted profit has material limitations as an analytical tool because it does not include all items that affect our Group's profit for the relevant year. In light of the foregoing limitations for non-HKFRS measures, when assessing our financial performance, investors should not consider adjusted net profit in isolation or as a substitute for our net profit or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to similar titled measures used by other companies.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 May 2019 compared with year ended 31 May 2020

Revenue

Our revenue increased by approximately HK$16.4 million or 5.5% from approximately HK$297.3 million for the year ended 31 May 2019 to approximately HK$313.7 million for the year ended 31 May 2020. The following table sets out the revenue breakdown by segment for the years ended 31 May 2019 and 2020, respectively.

	Year ended 31 May			
	2019		**2020**	
	Revenue	**% of total revenue**	**Revenue**	**% of total revenue**
	HK$'000		*HK$'000*	
Marine construction works	175,260	59.0	186,327	59.4
Vessel chartering services	23,781	7.9	3,597	1.2
Other civil engineering works	98,261	33.1	123,726	39.4
Total revenue	297,302	100.0	313,650	100.0

Our revenue from marine construction works increased by approximately HK$11.0 million or 6.3% from approximately HK$175.3 million for the year ended 31 May 2019 to approximately HK$186.3 million for the year ended 31 May 2020. During the year ended 31 May 2019, our Group derived revenue from nine marine construction projects, of which six projects were completed during the period. The initial contract sum of these nine marine construction projects ranged from approximately HK$2.3 million to approximately HK$32.7 million. Our scope of works under the nine marine construction projects included, among others, reclamation works, regulation and deposition of sand blankets and submarine pipelines. During the year ended 31 May 2020, our Group derived revenue from 11 marine construction projects, of which six projects were newly awarded during the period and four projects were completed during the period. The initial contract sum of these 11 marine construction projects ranged from approximately HK$6.5 million to approximately HK$43.8 million. Our scope of works under the 11 marine construction projects included, among others, reclamation works, regulation and deposition of sand blanket and submarine pipelines works.

Our revenue from vessel chartering services decreased from approximately HK$23.8 million for the year ended 31 May 2019 to approximately HK$3.6 million for the year ended 31 May 2020, which was mainly attributable to the fact that our largest four vessel chartering arrangements at the time, were completed in August 2018, September 2018, January 2019 and April 2019, respectively. In addition, the reduction in revenue from our vessel chartering services for the year ended 31 May 2020 was also partly attributable to the comparatively higher utilisation of our self-owned vessels for the marine construction works we have completed during the year ended 31 May 2020. For details of the utilisation rate of our self-owned vessels, please refer to the section headed "Business – Our vessels and site equipment – Utilisation rate" in this prospectus. Our revenue from other civil engineering services increased from approximately HK$98.3 million for the year ended 31 May 2019 to approximately HK$123.7 million for the year ended 31 May 2020, which was mainly attributable to the commencement of five other civil engineering projects with initial contract sum of approximately HK$21.4 million, HK$22.0 million, HK$30.8 million, HK$34.7 million and HK$36.8 million awarded by Customer E, New Concept Foundation Limited ("**New Concept**"), Ming Shing and Customer F, respectively.

The following table sets forth a breakdown by the number of projects which our Group derived revenue during the years ended 31 May 2019 and 2020 by range of initial contract sum without taking into account variation orders:

Initial contract sum

	Year ended 31 May			
	2019		2020	
	HK$'000	*Number of project(s)*	*HK$'000*	*Number of project(s)*
HK$30 million or above	190,361	3	196,616	8
HK$5 million to below HK$30 million	102,460	10	113,437	9
Below HK$5 million	4,481	4	3,597	7
Total revenue/number of projects	297,302	17	313,650	24

During the year ended 31 May 2019, our Group derived (i) approximately HK$4.5 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$102.5 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$190.4 million from projects with initial contract sum above HK$30 million.

During the year ended 31 May 2020, our Group derived (i) approximately HK$3.6 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$113.4 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$196.6 million from projects with initial contract sum above HK$30 million.

As set out in the table above, the amount of revenue derived from projects with initial contract sum below HK$5 million has decreased from approximately HK$4.5 million for the year ended 31 May 2019 to approximately HK$3.6 million for the year ended 31 May 2020, while the amount of revenue derived from projects with initial contract sum between HK$5 million to below HK$30 million has increased from approximately HK$102.5 million for the year ended 31 May 2019 to approximately HK$113.4 million for the year ended 31 May 2020. As for projects with initial contract sum above HK$30 million, our Group derived revenue of approximately HK$190.4 million for the year ended 31 May 2019, which was increased to approximately HK$196.6 million for the year ended 31 May 2020. Such change in revenue is in line with our Group's strategy of strengthen our market position and expand our market share by competing for and taking up more sizeable contracts from both existing and new customers.

Direct costs

Our direct costs amounted to approximately HK$244.5 million and HK$262.6 million for the years ended 31 May 2019 and 2020, respectively. Our direct costs for the year ended 31 May 2019 mainly consisted of approximately HK$172.4 million of subcontracting costs, approximately HK$31.6 million of rental of vessels and equipment, approximately HK$18.8 million of direct labour costs and approximately HK$7.6 million of material costs, whereas for the year ended 31 May 2020, our direct costs mainly consisted of approximately HK$201.7 million of subcontracting costs, approximately HK$22.6 million of direct labour costs, approximately HK$14.3 million of rental of vessels and equipment and approximately HK$1.6 million of material costs.

The total amount of subcontracting costs, materials costs, direct labour costs and rental of vessels and equipment increased by approximately HK$9.8 million or 4.3% from approximately HK$230.5 million for the year ended 31 May 2019 to approximately HK$240.3 million for the year ended 31 May 2020, which generally reflected the increase in costs associated with our works and services provided.

Out of the direct costs, subcontracting costs have been the largest component for each of the years ended 31 May 2019 and 2020, respectively. The total amount of subcontracting costs increased by approximately HK$29.3 million or 17.0% from approximately HK$172.4 million for the year ended 31 May 2019 to approximately HK$201.7 million for the year ended 31 May 2020. Such increase in the subcontracting costs was mainly attributable to the net effect of (i) three marine construction projects with initial contract sum of approximately HK$25.3 million, HK$14.9 million and HK$32.7 million, respectively, awarded by LT Sambo Co., Ltd and Customer A, were completed during the year ended 31 May 2019, of which subcontracting costs incurred in relation to the aforementioned projects were approximately HK$59.7 million; (ii) most of our works related to the Kai Tak Other Civil Engineering Project was completed during the year ended 31 May 2019, of which the related subcontracting costs significantly decreased from approximately HK$92.7 million for the year ended 31 May 2019 to approximately HK$0.2 million for the year ended 31 May 2020; (iii) commencement of five marine construction projects with initial contract sum of approximately HK$25.2 million, HK$23.6 million, HK$23.9 million, HK$15.3 million and HK$15.2 million, respectively, awarded by Customer E and other customer, of which subcontracting costs incurred in relation to the aforementioned projects amounted to approximately HK$74.2 million for the year ended 31 May 2020; and (iv) the increase in subcontracting costs incurred from our other civil engineering works from approximately HK$92.7 million for the year ended 31 May 2019 to approximately HK$109.1 million for the year ended 31 May 2020, which was attributable to the commencement of five other civil engineering projects with initial contract sum of approximately HK$21.4 million, HK$22.0 million, HK$30.8 million, HK$34.7 million and HK$36.8 million, respectively, awarded by Customer E, New Concept, Ming Shing and Customer F, of which subcontracting costs incurred in relation to the aforesaid projects amounted to approximately HK$105.8 million for the year ended 31 May 2020. The subcontracting costs incurred for the aforesaid marine construction projects were mainly attributable to (i) removal of core rock material; (ii) excavation and disposal of core rock materials; and (iii) disposal of construction and demolition materials, whereas the significant subcontracting costs incurred for the aforesaid other civil engineering projects were primarily attributable to our principal role, which primarily involved but not limited to (i) coordinating and monitoring the quality, timeliness and overall progress of our works done; (ii) overseeing the entire construction site and provide technical support and advice on project work; and (iii) ensuring compliance with relevant requirements in relation to environment, occupational health and work safety and other requirements that our customer may impose from time to time. We subcontracted a substantial part of labour intensive work of the general civil engineering works in the aforesaid other civil engineering projects to our subcontractors.

Direct labour costs amounted to approximately HK$18.8 million and HK$22.6 million for the years ended 31 May 2019 and 2020, respectively. Such increase was mainly attributable to (i) the increase in number of our workers being directly deployed for maintaining overall the project management and implementation of our works for the abovementioned marine construction projects and other civil engineering projects; and (ii) approximately HK$1.0 million of direct labour costs were capitalised as contract costs for the year ended 31 May 2019.

For the years ended 31 May 2019 and 2020, rental of vessels and site equipment amounted to approximately HK$31.6 million and HK$14.3 million, respectively. Such decrease was mainly attributable to (i) certain of our subcontractors have borne the rental of equipment used by them to carry out their subcontracted works as mentioned above; and (ii) the reduction in vessel chartering services provided by our Group, which involved our Group sub-chartering certain vessels from our suppliers, to our customers for the year ended 31 May 2020.

Material costs amounted to approximately HK$7.6 million and HK$1.6 million for the years ended 31 May 2019 and 2020, respectively. Such decrease was primarily attributable to various material costs being borne by our subcontractors as evidenced by the increase in our subcontracting costs for the year ended 31 May 2020.

In connection with other direct costs, which amounted to approximately HK$14.0 million and HK$22.4 million for the years ended 31 May 2019 and 2020, representing approximately 5.8% and 8.6% of the total direct costs for the corresponding period, respectively. Such increase was mainly attributable to (i) the increase in the contra charge amount from approximately HK$2.4 million for the year ended 31 May 2019 to approximately HK$7.0 million for the year ended 31 May 2020; and (ii) the increase in the depreciation on the vessels and site equipment being utilised for our projects from approximately HK$3.9 million for the year ended 31 May 2019 to approximately HK$5.8 million for the year ended 31 May 2020.

Gross profit and gross profit margin

For the year ended 31 May 2019

	Marine construction works HK$'000	Vessel chartering services HK$'000	Other civil engineering works HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers over time	175,260	23,781	98,261	297,302
Reportable segment gross profit	40,791	6,517	5,529	52,837
Segment gross profit margin	23.3%	27.4%	5.6%	17.8%

For the year ended 31 May 2020

	Marine construction works HK$'000	Vessel chartering services HK$'000	Other civil engineering works HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers over time	186,327	3,597	123,726	313,650
Reportable segment gross profit	39,548	844	10,642	51,034
Segment gross profit margin	21.2%	23.5%	8.6%	16.3%

Our gross profit remained largely stable at approximately HK$52.8 million for the year ended 31 May 2019 compared to approximately HK$51.0 million for the year ended 31 May 2020.

For the years ended 31 May 2019 and 2020, we derived gross profit of approximately HK$52.8 million and HK$51.0 million, respectively, of which (i) approximately HK$40.8 million and HK$39.5 million was from our marine construction works; (ii) approximately HK$6.5 million and HK$0.8 million was from our vessel chartering services; and (iii) approximately HK$5.5 million and HK$10.6 million was from our other civil engineering works, respectively.

Our gross profit margin of marine construction works for the years ended 31 May 2019 and 2020 was approximately 23.3% and 21.2%, respectively. Such movement was mainly attributable to the increase in subcontracting costs in relation to our marine construction works from approximately HK$79.7 million for the year ended 31 May 2019 to approximately HK$92.6 million for the year ended 31 May 2020, which was primarily due to the net effect of (i) three marine construction projects with initial contract sum of approximately HK$25.3 million, HK$14.9 million and HK$32.7 million, respectively, awarded by LT Sambo Co., Ltd and Customer A, which were completed during the year ended 31 May 2019, and the subcontracting costs incurred in relation to the aforementioned projects amounted to approximately HK$59.7 million; and (ii) the commencement of five marine construction projects with initial contract sum of approximately HK$25.2 million, HK$23.6 million, HK$23.9 million, HK$15.3 million and HK$15.2 million, respectively, awarded by Customer E and other customer during the year ended 31 May 2020, and the subcontracting costs incurred in relation to the aforementioned projects amounted to approximately HK$74.2 million. The aforesaid fluctuation in subcontracting costs is attributable to, among others, the availability of our then internal resources, complexity and/or specialty of the subject works involved, which may differ from project to project.

Our gross profit margin of vessel chartering services was approximately 27.4% and 23.5% for the years ended 31 May 2019 and 2020, respectively. Typically, the gross profit margin of our vessel chartering services would be affected by (i) the availability of the capacity and type of vessel(s) required; (ii) whether the vessels we chartered to our customers are owned by our Group or leased by us from our vessel suppliers; (iii) the length of the charter period, which our Group would usually derive a higher gross profit margin for shorter charter period in general; (iv) whether our Group is required to provide vessel crew to operate and manage the vessel; and (v) credibility of the customer.

Our gross profit margin of other civil engineering works for the year ended 31 May 2019 of approximately 5.6% increased to approximately 8.6% for the year ended 31 May 2020, which was mainly attributable to (i) the nature and complexity of other civil engineering construction works we completed during the year ended 31 May 2020; and (ii) we had undertaken comparatively more other civil engineering construction works, through our direct labour, than the corresponding prior year. The relevant subcontracting costs incurred for the aforesaid other civil engineering projects were mainly attributable to our principal role primarily involved site supervision and coordination of works in the project and we subcontracted a substantial part of the general civil engineering works in these projects to our subcontractors.

Overall, attributable to the reasons as set out above, we recorded gross profit margin of approximately 17.8% and 16.3% for the years ended 31 May 2019 and 2020, respectively. No projects undertaken by our Group during the years ended 31 May 2019 and 2020 were loss making, respectively.

Other income

Our other income was approximately HK$0.2 million for the year ended 31 May 2019, which was broadly in line with our other income of approximately HK$0.3 million for the year ended 31 May 2020.

General and administrative expenses

Our general and administrative expenses increased by approximately HK$1.6 million or 21.9% from approximately HK$7.3 million for the year ended 31 May 2019 to approximately HK$8.9 million for the year ended 31 May 2020. Such increase was mainly attributable to (i) the increase in employee benefit expenses from approximately HK$4.9 million to approximately HK$5.3 million, which was primarily as a result of the increase in salary of office staff and (ii) the increase in depreciation from approximately HK$0.3 million for the year ended 31 May 2019 to approximately HK$1.2 million for the year ended 31 May 2020.

Income tax

Our income tax decreased by approximately HK$0.6 million or 8.1% from approximately HK$7.4 million for the year ended 31 May 2019 to approximately HK$6.8 million for the year ended 31 May 2020. Our effective tax rate for the year ended 31 May 2019 was approximately 20.4%, which was broadly in line with the effective tax rate of approximately 19.4% for the year ended 31 May 2020.

Profit for the year and net profit margin

Our profit for the year ended 31 May 2020 (inclusive of listing expenses) amounted to approximately HK$28.1 million. However, if the effects of listing expenses of approximately HK$7.2 million were to be excluded, the adjusted profit for the year ended 31 May 2020, being a non-HKFRS measure, would be approximately HK$35.3 million.

Our net profit margin decreased from approximately 9.7% for the year ended 31 May 2019 to approximately 9.0% for the year ended 31 May 2020. Such decrease was mainly attributable to the fluctuation in our gross profit margin of approximately 17.8% and 16.3% for the years ended 31 May 2019 and 2020, respectively, details of which are set out in the paragraph headed "Period to period comparison of results of operations – Gross profit and gross profit margin" in this section. The movement in the net profit for the years ended 31 May 2019 and 2020 was mainly attributable to the net effect of the decrease in revenue and the corresponding gross profit derived from vessel chartering services, which was partially offset by the increase in revenue and the corresponding gross profit derived from other civil engineering works.

Year ended 31 May 2018 compared with year ended 31 May 2019

Revenue

Our revenue increased by approximately HK$27.7 million or 10.3% from approximately HK$269.6 million for the year ended 31 May 2018 to approximately HK$297.3 million for the year ended 31 May 2019. The following table sets out the revenue breakdown by segment for the years ended 31 May 2018 and 2019, respectively.

	Year ended 31 May			
	2018		2019	
	Revenue *HK'000*	% of total revenue	Revenue *HK'000*	% of total revenue
Marine construction works	182,706	67.8	175,260	59.0
Vessel chartering services	82,302	30.5	23,781	7.9
Other civil engineering works	4,622	1.7	98,261	33.1
Total revenue	269,630	100.0	297,302	100.0

Our revenue from marine construction works amounted to approximately HK$182.7 million and HK$175.3 million for the years ended 31 May 2018 and 2019, respectively. During the year ended 31 May 2018, our Group derived revenue from eight marine construction projects, of which four projects were newly awarded during the year and four projects were completed during the year. The initial contract sum of these eight marine construction projects ranged from approximately HK$1.6 million to approximately HK$86.4 million. Our scope of works under the eight marine construction projects included, among others, reclamation works and regulation and deposition of sand blanket works. During the year ended 31 May 2019, our Group derived revenue from nine marine construction projects, of which six projects were completed during the year. The initial contract sum of these nine marine construction projects ranged from approximately HK$2.3 million to approximately HK$32.7 million. Our scope of works under the nine marine construction projects included, among others, reclamation works, regulation and deposition of sand blanket works and submarine pipeline works.

Our revenue from vessel chartering services decreased from approximately HK$82.3 million for the year ended 31 May 2018 to approximately HK$23.8 million for the year ended 31 May 2019, which was mainly attributable to the largest three vessel chartering arrangements being completed in August 2018, September 2018 and January 2019 respectively. As such, the aforementioned vessel chartering arrangements contributed, in aggregate, revenue of approximately HK$72.8 million for the year ended 31 May 2018 compared to approximately HK$15.0 million for the year ended 31 May 2019. As our Group continued to develop our business for marine construction works and other civil engineering works, while maintaining a high utilisation rate of our owned vessels during the year ended 31 May 2019, further details of the utilisation rate of our self-owned vessels are set out under the section headed "Business – Our vessels and site equipment – Utilisation rate" in this prospectus, we have not actively pursued business opportunities in relation to vessel chartering services as our vessel chartering services are primarily conducted as a complementary service to maintain relationship with and provide flexibility to our customers.

Our revenue from other civil engineering services significantly increased from approximately HK$4.6 million for the year ended 31 May 2018 to approximately HK$98.3 million for the year ended 31 May 2019, which was mainly attributable to the commencement of one project in Kai Tak for foundation works under other civil engineering works with Toko, where we acted as a subcontractor, our scope of works included excavation and lateral support, pile caps and associated works with initial contract sum of approximately HK$67.7 million with a duration of approximately 10 months (the "**Kai Tak Other Civil Engineering Project**"). During the course of the Kai Tak Other Civil Engineering Project, a substantial amount of variation orders were initiated by Toko subsequent to the commencement of our works in August 2018 due to (i) change in design of the permanent and temporary structures; and (ii) the acceleration of the overall progress of the project. As such, our revenue recognised for the Kai Tak Other Civil Engineering Project totaled to approximately HK$98.3 million, being significantly higher than the initial contract sum of approximately HK$67.7 million.

The following table sets forth a breakdown by the number of projects which our Group derived revenue during the years ended 31 May 2018 and 2019 by range of initial contract sum without taking into account variation orders:

	Year ended 31 May			
Initial contract sum	**2018**		**2019**	
	HK$'000	*Number of project(s)*	*HK$'000*	*Number of project(s)*
HK$30 million or above	91,185	1	190,361	3
HK$5 million to below HK$30 million	164,061	9	102,460	10
Below HK$5 million	14,384	4	4,481	4
Total revenue/number of projects	269,630	14	297,302	17

During the year ended 31 May 2018, our Group derived (i) approximately HK$14.4 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$164.1 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$91.2 million from projects with initial contract sum above HK$30 million.

During the year ended 31 May 2019, our Group derived (i) approximately HK$4.5 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$102.5 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$190.4 million from projects with initial contract sum above HK$30 million.

As set out in the table above, the amount of revenue derived from projects with initial contract sum below HK$5 million has decreased from approximately HK$14.4 million for the year ended 31 May 2018 to approximately HK$4.5 million for the year ended 31 May 2019, while the amount of revenue derived from projects with initial contract sum HK$30 million or above has increased from approximately HK$91.2 million for the year ended 31 May 2018 to approximately HK$190.4 million for the year ended 31 May 2019. Such change in revenue is in line with our Group's strategy of strengthen our market position and expand our market share by competing for and taking up more sizeable contracts from both existing and new customers.

Direct costs

Our direct costs amounted to approximately HK$226.9 million and HK$244.5 million for the year ended 31 May 2018 and 2019, respectively. Our direct costs for the year ended 31 May 2018 mainly consisted of approximately HK$67.6 million of subcontracting costs, approximately HK$49.9 million of direct labour costs, approximately HK$11.6 million of material costs and approximately HK$85.1 million of rental of vessels and equipment, whereas for the year ended 31 May 2019, our direct costs mainly consisted of approximately HK$172.4 million of subcontracting costs, approximately HK$18.8 million of direct labour costs, approximately HK$7.6 million of material costs and approximately HK$31.6 million of rental of vessels and equipment.

Our subcontracting costs represented fees paid and payable to subcontractors engaged to carry out specific tasks of our projects, which included labour costs of workers employed by our subcontractors and costs of materials procured by our subcontractors. Our direct labour costs represented salaries and other employee related expenses of workers directly employed by us. Our material costs represented the costs of material procured by us. Our rental of vessels and equipment represented rent paid/payable for the use of relevant vessels and/or equipment. The amount of our direct costs may vary from project to project, subject to (i) the volume of work subcontracted to and materials procured by our subcontractors (if any); (ii) the extent of work undertaken by our own workers which would involve procurement of materials by us and settlement of our own labour costs; and (iii) the extent of which we need to charter vessels/rent equipment from our suppliers and the usage of our own vessels and/or equipment.

The total amount of subcontracting costs increased by approximately HK$104.7 million or 154.8% from approximately HK$67.6 million for the year ended 31 May 2018 to approximately HK$172.4 million for the year ended 31 May 2019. The notable year-on-year increase in the subcontracting costs of approximately HK$104.7 million was mainly attributable to the Kai Tak Other Civil Engineering Project, being the largest other civil engineering works project in terms of revenue recognised over the Track Record Period.

Subcontracting costs incurred in relation to the Kai Tak Other Civil Engineering Project amounted to approximately HK$92.7 million for the year ended 31 May 2019. The significant subcontracting costs in this project were primarily attributable to (i) our principal role in the Kai Tak Other Civil Engineering Project, which primarily involved but not limited to (a) coordinating and monitoring the quality, timeliness and overall progress of our works done for the Kai Tak Other Civil Engineering Project; (b) oversee the entire construction site and provide technical support and advice on project work, during the course of the Kai Tak Other Civil Engineering Project; and (c) ensure compliance with relevant requirements in relation to environment, occupational health and work safety and other requirements that our customer may impose from time to time. On this basis, we subcontracted a substantial part of the general civil engineering works in this project to our subcontractor, namely, Yat Shing and the materials used by Yat Shing for its subcontracting works are included as part of the subcontracting costs although certain major materials such as concrete, waterproofing for concrete, reinforcement bars and structural steels used for this project by Yat Shing were directly purchased by Toko; and (ii) during the course of the Kai Tak Other Civil Engineering Project, a substantial amount of variation orders in relation to foundation works such as excavation and lateral support, pile caps and associated works were initiated by Toko subsequent to the commencement of our works in August 2018. In order to complete the substantial additional works, which were not included on the original scope of works under our contract for the Kai Tak Other Civil Engineering Project, our Group had engaged a subcontractor to perform most of the general civil engineering works arising from the variation orders, who also bore the rental of the relevant equipment being used, to ensure the stipulated deadline set by Toko was met. As a result of the aforesaid reasons, in particular, (i) our principal role in the Kai Tai Other Civil Engineering Project primarily involved project management, supervision and coordination; (ii) the labour intensive part of the project works were undertaken by our subcontractors under our supervision and we did not have substantial involvement in the performance of the labour intensive part of the relevant project works under the original scope of works as well as under the variance orders attributable to the availability of our human resources at the relevant time; and (iii) the relevant subcontracted works were carried out using machinery and equipment provided by the subcontractors, our Group recorded significant subcontracting costs, which amounted to a substantial portion of our revenue derived from the subject project and therefore we have generated a relatively low gross profit margin for the Kai Tak Other Civil Engineering Project, which in turn affected the gross profit margin of the other civil engineering works segment of our Group for the year ended 31 May 2019.

The increased engagement of subcontracting has led to a year-on-year reduction in our direct labour costs for the year ended 31 May 2019 by approximately HK$31.0 million. During the years ended 31 May 2018 and 2019, we have strategically subcontracted certain on-site labour intensive civil engineering works to our subcontractors, while maintaining overall project management and implementation of our works. Subcontracting of works is not uncommon in the Hong Kong marine construction works or civil engineering works industry according to the Ipsos Report. As the entire process of a construction project involves many types of works, it may not be cost effective for us to directly undertake all the works involved. In addition, subcontractors can provide additional labour with different skills without the need for us to keep them under our employment.

For the years ended 31 May 2018 and 2019, rental of vessels and site equipment amounted to approximately HK$85.1 million and HK$31.6 million, respectively. Such notable decrease was primarily attributable to (i) certain of our subcontractors have borne the rental of equipment used by them to carry out their subcontracted works, further details of which were set out in the preceding paragraph; and (ii) the reduction in vessel chartering services provided by our Group, which involved our Group sub-chartering of certain vessels from our suppliers, to our customers during the year ended 31 May 2019. For further details, please refer to the paragraph headed "Business – Our vessel chartering arrangements" in this prospectus.

Material costs amounted to approximately HK$11.6 million and HK$7.6 million for the years ended 31 May 2018 and 2019, respectively. Such decrease was primarily attributable to various material costs being borne by our subcontractors as evidenced by the notable increase in our subcontracting costs for the year ended 31 May 2019.

In connection with other direct costs, which amounted to approximately HK$12.7 million and HK$14.0 million for the years ended 31 May 2018 and 2019, representing approximately 5.6% and 5.8% of the total direct costs for the corresponding year, respectively.

Gross profit and gross profit margin

For the year ended 31 May 2018

	Marine construction works *HK$'000*	**Vessel chartering services** *HK$'000*	**Other civil engineering works** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition and revenue from external customers over time	182,706	82,302	4,622	269,630
Reportable segment gross profit	21,472	20,605	651	42,728
Segment gross profit margin	11.8%	25.0%	14.1%	15.8%

For the year ended 31 May 2019

	Marine construction works *HK$'000*	**Vessel chartering services** *HK$'000*	**Other civil engineering works** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition and revenue from external customers over time	175,260	23,781	98,261	297,302
Reportable segment gross profit	40,791	6,517	5,529	52,837
Segment gross profit margin	23.3%	27.4%	5.6%	17.8%

Our gross profit increased from approximately HK$42.7 million for the year ended 31 May 2018 to approximately HK$52.8 million for the year ended 31 May 2019, represented an increase of approximately HK$10.1 million.

For years ended 31 May 2018 and 2019, we derived gross profit of approximately HK$42.7 million and HK$52.8 million, respectively, of which (i) approximately HK$21.5 million and HK$40.8 million was from our marine construction works; (ii) approximately HK$20.6 million and HK$6.5 million was from our vessel chartering services; and (iii) approximately HK$0.7 million and HK$5.5 million was from our other civil engineering works, respectively.

Our gross profit margin of marine construction works for the years ended 31 May 2018 and 2019 was approximately 11.8% and 23.3%, such fluctuation was mainly attributable to (i) the comparatively higher gross profit margin derived from one marine construction project with initial contract sum of approximately HK$32.7 million, as our Group developed a tailor-made solution that involved the application of a modified version of our special enclosed deposition method for the removal of decommissioned aviation fuel pipeline and associated works which entailed works that were considered to be more complex in nature; and (ii) the higher gross profit margin derived from another marine construction project with initial contract sum of approximately HK$32.1 million was awarded to us by Huayuan Group, in which they reached out to us immediately after Typhoon Mangkhuk. The works mainly involved remedial works being carried out on the aviation fuel receiving facility situated at the seashore of one of the outlying islands in Hong Kong to repair the damages as a result of Typhoon Mangkhuk, including (a) marine support for installation of new bridges and associated structures; (b) fabrication and installation of working platform and marine support; and (c) marine support for clearing and cutting of the damaged fuel pipeline section and contingency measures works, the associated works were considered to be complex in nature and had to be completed under a short period of time. Given the complexity as well as the stipulated time that our Group was contracted to complete the relevant works in, the aforesaid two marine construction projects commanded a relatively higher gross profit margin for the year ended 31 May 2019 compared to other marine construction projects undertaken by our Group during the year ended 31 May 2018, which primarily involved reclamation works under normal conditions.

Our gross profit margin of vessel chartering services for the year ended 31 May 2018 was approximately 25.0%, which was largely in line with the gross profit margin of vessel chartering services for the year ended 31 May 2019 of approximately 27.4%. Typically, the gross profit margin of our vessel chartering services would be affected by (i) the availability of the capacity and type of vessel(s) required; (ii) whether the vessels we chartered to our customers are owned by our Group or leased by us from our vessel suppliers; (iii) the length of the charter period, which our Group would usually derive a higher gross profit margin for shorter charter period in general; (iv) whether our Group is required to provide vessel crew to operate and manage the vessel; and (v) credibility of the customer.

Our gross profit margin of other civil engineering works for the years ended 31 May 2018 and 2019 was approximately 14.1% and 5.6%, respectively, such decrease was mainly attributable to the notable increase in subcontracting costs by approximately HK$104.7 million which was mainly attributable to the Kai Tak Other Civil Engineering Project. The significant subcontracting costs for the Kai Tak Other Civil Engineering Project were primarily attributable to (i) our principal role in the Kai Tak Other Civil Engineering Project primarily involved site supervision and coordination of works in the project and we subcontracted a substantial part of the general civil engineering works in this project to our subcontractor, namely, Yat Shing and the materials used by Yat Shing for its subcontracting works are included as part of the subcontracting costs although certain major materials such as concrete, waterproofing for concrete, reinforcement bars and structural steels used for the project by our subcontractor were directly purchased by Toko, further details of this arrangement were set out under section headed "Business – Our Customers – Contra-charge relationship with Toko and Yat Shing" in this prospectus; and (ii) Toko placed a substantial amount of variation orders with us after our commencement of works and given the stipulated deadline to complete the substantial unexpected additional works, our Group had subcontracted most of the general civil engineering works thereof, further details of which have been set out under paragraph headed "Period to period comparison of results of operations – Year ended 31 May 2018 compared with year ended 31 May 2019 – Direct costs" in this section above.

Overall, we recorded gross profit margin of approximately 15.8% and 17.8% for the years ended 31 May 2018 and 2019, respectively. No projects undertaken by our Group during the years ended 31 May 2018 and 2019 were loss making, respectively.

Other income

Our other income decreased by approximately HK$0.6 million from approximately HK$0.8 million for the year ended 31 May 2018 to approximately HK$0.2 million for the year ended 31 May 2019. Such decrease was mainly attributable to the decrease in consultancy fee income, as such services were ceased in or around May 2018.

In view of that other income of approximately HK$0.8 million and HK$0.2 million for the years ended 31 May 2018 and 2019 represented less than 0.5% of the total revenue for the years ended 31 May 2018 and 2019, respectively, as a percentage to total revenue of our Group, other income for each of the years ended 31 May 2018 and 2019 as well as the period-on-period movement was largely insignificant.

General and administrative expenses

Our general and administrative expenses increased by approximately HK$3.1 million from approximately HK$4.2 million for the year ended 31 May 2018 to approximately HK$7.3 million for the year ended 31 May 2019. Such increase was mainly attributable to (i) the increase in employee benefit expenses by approximately HK$2.6 million; and (ii) the increase in legal and professional fees by approximately HK$0.3 million.

Income tax

Our income tax increased by approximately HK$1.1 million or 17.5% from approximately HK$6.3 million for the year ended 31 May 2018 to approximately HK$7.4 million for the year ended 31 May 2019. Our effective tax rate for the years ended 31 May

2018 and 2019 were approximately 16.1% and 20.4%, respectively. The difference in the effective tax rate was primarily attributable to the tax effect of non-deductible expenses of approximately HK$1.6 million for the year ended 31 May 2019.

Profit for the period and net profit margin

Profit for the year ended 31 May 2019 (inclusive of listing expenses) amounted to approximately HK$28.8 million. However, if the effects of listing expenses of approximately HK$9.5 million were to be excluded, the adjusted profit for the year ended 31 May 2019, being a non-HKFRS measure, would be approximately HK$38.3 million, compared to approximately HK$33.0 million for the year ended 31 May 2018, representing an increase of approximately HK$5.3 million or 16.1%.

The movement in profit for the years ended 31 May 2018 and 2019 was mainly attributable to the combined effect of (i) increase in revenue derived from contracts with initial contract sum more than HK$5 million; (ii) notable increase in subcontracting costs; and (iii) listing expenses. Our net profit margin decreased from approximately 12.2% for the year ended 31 May 2018 to approximately 9.7% for the year ended 31 May 2019. Such decrease was mainly attributable to the project mix and cost structure of the respective projects for the relevant periods which led to (i) the notable increase in subcontracting costs by approximately HK$104.7 million; being partially offset by (ii) the decrease in direct labour cost by approximately HK$31.0 million; and (iii) the decrease in rental of vessels and equipment by approximately HK$53.5 million.

Year ended 31 May 2017 compared with year ended 31 May 2018

Revenue

Our revenue increased by approximately HK$53.5 million or 24.8% from approximately HK$216.1 million for the year ended 31 May 2017 to approximately HK$269.6 million for the year ended 31 May 2018. The following table sets out the revenue breakdown by segment for the years ended 31 May 2017 and 2018, respectively.

	Year ended 31 May			
	2017		**2018**	
	Revenue	**% of total revenue**	**Revenue**	**% of total revenue**
	HK$'000		*HK$'000*	
Marine construction works	172,480	79.8	182,706	67.8
Vessel chartering services	32,180	14.9	82,302	30.5
Other civil engineering works	11,402	5.3	4,622	1.7
Total revenue	216,062	100.0	269,630	100.0

Our revenue from marine construction works increased by approximately HK$10.2 million or 5.9% from approximately HK$172.5 million for the year ended 31 May 2017 to approximately HK$182.7 million for the year ended 31 May 2018, which was primarily attributable to our Group undertaking relatively more projects for marine construction works during the year ended 31 May 2018 compared to the year ended 31 May 2017, thereby deriving more revenue. During the year ended 31 May 2017, we derived revenue from seven marine construction projects of which six projects were newly awarded during the year and three projects were completed during the year. The initial contract sum of these seven marine construction projects ranged from approximately HK$2.6 million to HK$86.4 million. Our scope of works under the seven marine construction projects were reclamation works. During the year ended 31 May 2018, our Group derived revenue from eight marine construction projects, of which four projects were newly awarded during the year and four projects were completed during the year. The initial contract sum of these eight marine construction projects ranged from approximately HK$1.6 million to HK$86.4 million. Our scope of works under the nine marine construction projects included, among others, reclamation works and regulation and deposition of sand blanket works.

Our revenue from vessel chartering services increased from approximately HK$32.2 million for the year ended 31 May 2017 to approximately HK$82.3 million for the year ended 31 May 2018, which was mainly attributable to the significant increase in the revenue derived from four vessel chartering arrangements which amounted to approximately HK$51.6 million. The duration of such four vessel chartering arrangements ranged from 17 months to 28 months and involved the chartering of passenger boats, crane barges, dumb lighter, special purpose vessels, tug boats, dangerous goods carrier, water barge, work boat and anchor boat by our Group to our customers. Our revenue from other civil engineering works decreased from approximately HK$11.4 million for the year ended 31 May 2017 to approximately HK$4.6 million for the year ended 31 May 2018, which was mainly attributable to less revenue being recognised from one project for other civil engineering works with Huayuan Group, which was completed during the year ended 31 May 2018.

The following table sets forth a breakdown of the number of projects which our Group derived revenue during the years ended 31 May 2017 and 2018 by range of initial contract sum without taking into account variation orders:

Initial contract sum	**For the year ended 31 May**			
	2017		**2018**	
	HK$'000 *(Unaudited)*	*Number of project(s)*	*HK$'000* *(Unaudited)*	*Number of project(s)*
HK$30 million or above	119,333	4	91,185	1
HK$5 million to below HK$30 million	83,310	6	164,061	9
Below HK$5 million	13,419	5	14,384	4
Total revenue/number of projects	216,062	15	269,630	14

During the year ended 31 May 2017, our Group derived (i) approximately HK$13.4 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$83.3 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$119.3 million from projects with initial contract sum above HK$30 million.

During the year ended 31 May 2018, our Group derived (i) approximately HK$14.4 million from projects with initial contract sum less than HK$5 million; (ii) approximately HK$164.1 million from projects with initial contract sum between HK$5 million to below HK$30 million; and (iii) approximately HK$91.2 million from projects with initial contract sum above HK$30 million.

As set out in the table above, the amount of revenue derived from projects with initial contract sum below HK$5 million has slightly increased from approximately HK$13.4 million for the year ended 31 May 2017 to approximately HK$14.4 million for the year ended 31 May 2018, while the amount of revenue derived from projects with initial contract sum HK$5 million or above has increased from approximately HK$202.6 million for the year ended 31 May 2017 to approximately HK$255.2 million for the year ended 31 May 2018. Such is the result of our Group's ongoing effort and strategy to compete for and take up more sizeable contracts from both existing and new customers.

Direct costs

Our direct costs were approximately HK$187.6 million and HK$226.9 million for the years ended 31 May 2017 and 2018, respectively. Our direct costs for the year ended 31 May 2017 mainly consisted of approximately HK$52.4 million of subcontracting costs, approximately HK$23.9 million of direct labour costs, approximately HK$58.6 million of material costs and approximately HK$45.7 million of rental of vessels and equipment, whereas for the year ended 31 May 2018, our direct costs mainly consisted of approximately HK$67.6 million of subcontracting costs, approximately HK$49.9 million of direct labour costs, approximately HK$11.6 million of material costs and approximately HK$85.1 million of rental of vessels and equipment.

For the year ended 31 May 2017, out of the subcontracting costs of approximately HK$52.4 million, approximately HK$45.2 million and HK$6.3 million were related to the marine construction works segment and the other civil engineering works segment, respectively. In this connection, approximately HK$45.2 million subcontracting costs related to the marine construction works segment were primarily related to (i) the commencement of a reclamation works project in relation to 3RS project with Customer C in August 2016, major subcontracting costs mainly comprised of vessel services costs; and (ii) the commencement of another reclamation works project with Customer A in August 2016, major subcontracting costs mainly comprised of geotextile laying costs. For the year ended 31 May 2018, out of the subcontracting costs of approximately HK67.6 million, approximately HK$63.2 million and HK$3.1 million were related to the marine construction works segment and the other civil engineering works segment, respectively. In this connection, approximately HK$63.2 million subcontracting costs related to the marine construction works segment were primarily related to (i) a marine construction project which primarily involved regulation and deposition of sand blanket after DCM works which commenced in February 2018; and (ii) a reclamation works project in relation to 3RS project with Customer D with practical completion in May 2018, major subcontracting costs mainly comprised of surveying costs.

In addition, our direct labour costs also increased by approximately HK$26.0 million year-on-year, which was mainly attributable to the level of involvement by our direct labour to satisfy the work progress at the relevant time for one marine construction project for the 3RS project which adopted special enclosed deposition method during the year ended 31 May 2017 and 2018, respectively. Furthermore, we also recorded a year-on-year increase in rental of vessels and equipment of approximately HK$39.4 million, which was mainly attributable to the increase in the costs related to four vessel chartering arrangements amounted to approximately HK$30.4 million. The aforesaid year-on-year increases to the direct costs were partially offset by the year-on-year decrease in material costs of approximately HK$47.0 million.

The amount of our direct costs may vary from project to project, subject to (i) the volume of work subcontracted to and materials procured by our subcontractors (if any); and (ii) the extent of work undertaken by our own workers which would involve procurement of materials by us and settlement of our own labour costs; and (iii) the extent of which we need to charter vessels/rent equipment from our suppliers and the usage of our own vessels and/or equipment. The total amount of subcontracting costs, materials costs, direct labour costs and rental of vessels and equipment increased by approximately HK$33.7 million or 18.7% from approximately HK$180.5 million for the year ended 31 May 2017 to approximately HK$214.2 million for the year ended 31 May 2018, which generally reflected the increase in costs associated with our works and services provided.

Gross profit and gross profit margin

For the year ended 31 May 2017

	Marine construction works	**Vessel chartering services**	**Other civil engineering works**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition and revenue from external customers over time	172,480	32,180	11,402	216,062
Reportable segment gross profit	18,682	6,089	3,675	28,446
Segment gross profit margin	10.8%	18.9%	32.2%	13.2%

For the year ended 31 May 2018

	Marine construction works HK$'000	Vessel chartering services HK$'000	Other civil engineering works HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers over time	182,706	82,302	4,622	269,630
Reportable segment gross profit	21,472	20,605	651	42,728
Segment gross profit margin	11.8%	25.0%	14.1%	15.8%

Our gross profit increased from approximately HK$28.4 million for the year ended 31 May 2017 to approximately HK$42.7 million for the year ended 31 May 2018, represented an increase of approximately HK$14.3 million.

For the years ended 31 May 2017 and 2018, we derived gross profit of approximately HK$28.4 million and HK$42.7 million, respectively, of which (i) approximately HK$18.7 million and HK$21.5 million was from our marine construction works; (ii) approximately HK$6.1 million and HK$20.6 million was from our vessel chartering services; and (iii) approximately HK$3.7 million and HK$0.7 million was from our other civil engineering works.

Our gross profit margin of marine construction works for the year ended 31 May 2017 was approximately 10.8%, which was largely in line with the gross profit margin of marine construction works of approximately 11.8% for the year ended 31 May 2018 given our revenue derived from marine construction works were primarily from contracts which involved reclamation works under normal conditions for each of the years ended 31 May 2017 and 2018, respectively. Our gross profit margin of vessel chartering services for the years ended 31 May 2017 and 2018 was 18.9% and 25.0%, respectively, such increase was mainly attributable to the comparatively higher gross profit margin derived from vessel chartering arrangement with Bachy Soletanche – Sambo Joint Venture for a duration of 24 months from May 2017 to April 2019, in which we chartered our self-owned vessels, unlike other major vessel chartering services provided by our Group during the years ended 31 May 2017 and 2018, whereby our Group mainly sub-chartered vessels from our vessel suppliers to our customers.

Our gross profit margin of other civil engineering works for the years ended 31 May 2017 and 2018 was approximately 32.2% and 14.1%, respectively. Such decrease was mainly attributable to one project for other civil engineering works for Sha Chau Island with comparatively higher gross profit margin, the majority of revenue and costs of which were recognised during the year ended 31 May 2017 and the project was completed in March 2018 (the "**Sha Chau Island Other Civil Engineering Project**"). In connection with the Sha Chau Island Other Civil Engineering Project, substantial work was carried out by both our direct labour and subcontractors during the year ended 31 May 2017, whereas in contrast, substantial work was carried out by subcontractors during the year ended 31 May 2018. Due to different phase of construction process, gross profit may vary based on the type of works performed and resource deployed, as our Group had deployed more internal resources, such as our direct labour to the Sha Chau Island Other Civil Engineering Project during the year ended 31 May 2017 given our Group had the required resources and skills to carry out the relevant works. As a result, our Group generated a comparatively higher gross profit margin from the Sha Chau Island Other Civil Engineering Project for the year ended 31 May 2018 than the year ended 31 May 2017.

We recorded our overall gross profit margin of approximately 13.2% and 15.8% for the years ended 31 May 2017 and 2018, respectively. No projects undertaken by our Group during the years ended 31 May 2017 and 2018 were loss making, respectively.

Other income

Our other income decreased by approximately HK$0.3 million from approximately HK$1.1 million for the year ended 31 May 2017 to approximately HK$0.8 million for the year ended 31 May 2018, which was mainly attributable to the decrease in consultancy fee income of approximately HK$0.3 million.

In view of that other income of approximately HK$1.1 million and HK$0.8 million represented less than 1.0% of the total revenue for the years ended 31 May 2017 and 2018, respectively, as a percentage to total revenue of our Group, other income for the years ended 31 May 2017 and 2018 as well as the period-on-period movement was largely insignificant.

General and administrative expenses

Our general and administrative expenses increased by approximately HK$0.9 million from approximately HK$3.3 million for the year ended 31 May 2017 to approximately HK$4.2 million for the year ended 31 May 2018. Such increase was mainly attributable to (i) the increase in employee benefit expenses by approximately HK$0.7 million; and (ii) the increase in depreciation by approximately HK$0.1 million.

Income tax

Our income tax increased by approximately HK$2.4 million or 61.5% from approximately HK$3.9 million for the year ended 31 May 2017 to approximately HK$6.3 million for the year ended 31 May 2018. Such increase was mainly attributable to the increase in our profit before taxation from approximately HK$26.3 million for the year ended 31 May 2017 to approximately HK$39.3 million for the year ended 31 May 2018. Our effective tax rate for the years ended 31 May 2017 and 2018 were approximately 15.0% and 16.1%, respectively. The lower effective tax rate for the year ended 31 May 2017 was primarily attributable to the combined effect of utilisation of previously unrecognised tax losses, statutory tax concession and over-provision in respect of prior year.

Profit for the year and net profit margin

Our Group's profit for the year increased by approximately HK$10.7 million or 48.0% from approximately HK$22.3 million for the year ended 31 May 2017 to approximately HK$33.0 million for the year ended 31 May 2018, which was mainly attributable to the combined effect of (i) increase in revenue of approximately HK$53.6 million, which was mainly attributable to revenue derived from marine construction works and vessel chartering services; and (ii) increase in direct costs of approximately HK$39.3 million, which was mainly attributable to subcontracting costs, direct labour costs, material costs and rental of vessels and equipment. Our net profit margin increased from approximately 10.3% for the year ended 31 May 2017 to approximately 12.2% for the year ended 31 May 2018, which was primarily attributable to the factors as set out above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows and borrowings from banks. Our Directors believe that in the long term, our operations will primarily be funded by internally generated cash flows, bank borrowings, the net proceeds from the Listing and, as and when necessary, additional equity financing.

Summary of cash flow movements

The following table sets forth a summary of our Group's consolidated statements of cash flows during the Track Record Period:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	28,967	47,161	15,931	30,244
Net cash used in investing activities	(23,896)	(31,857)	(16,489)	(22,237)
Net cash (used in)/generated from financing activities	(5,169)	–	7,670	(2,036)
Net (decrease)/increase in cash and cash equivalents	(98)	15,304	7,112	5,971
Cash and cash equivalents at the beginning of the year	2,724	2,626	17,930	25,042
Cash and cash equivalents at the end of the year	2,626	17,930	25,042	31,013

Net cash generated from operating activities

We derived cash inflow from operating activities primarily from the receipt of payments for our works/services. Our cash outflow from operations primarily included subcontracting costs, direct labour costs, material costs and rental of vessels and equipment, and other operating expenses such as employee benefits expenses. In addition to the above, our cash generated from/used in operations also take into account movements in working capital which primarily consisted of (i) movement in contract assets, trade and other receivables and contract costs; and (ii) movement in contract liabilities, trade and other payables.

For the year ended 31 May 2017, our net cash generated from operating activities was approximately HK$29.0 million. The net cash generated from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately HK$26.3 million; (ii) increase in contract assets, trade and other receivables and contract costs, excluding the movement related to amount due from a Director, of approximately HK$21.4 million; and (iii) increase in contract liabilities, trade and other payables approximately HK$22.9 million. For further analysis on the movement of the abovementioned items from the consolidated statements of financial position, please refer to the paragraph headed "Analysis of various items from the Consolidated Statements of Financial Position" in this section.

For the year ended 31 May 2018, our net cash generated from operating activities was approximately HK$47.2 million. The net cash generated from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately HK$39.3 million; (ii) increase in contract assets, trade and other receivables and contract costs, excluding the movement related to amount due from a Director, of approximately HK$21.4 million; and (iii) increase in contract liabilities, trade and other payables approximately HK$25.6 million.

For the year ended 31 May 2019, our net cash generated from operating activities was approximately HK$15.9 million. The net cash generated from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately HK$36.1 million; (ii) increase in contract assets, trade and other receivables and contract costs, excluding the movement related to amount due from a Director, of approximately HK$2.2 million; and (iii) decrease in contract liabilities, trade and other payables of approximately HK$19.6 million.

For the year ended 31 May 2020, our net cash generated from operating activities was approximately HK$30.2 million. The net cash generated from operating activities was mainly to the combined effect of (i) our profit before taxation of approximately HK$34.9 million; (ii) Hong Kong profits tax paid of approximately HK$10.9 million; and (iii) decrease in contract liabilities, trade and other payables of approximately HK$1.5 million.

Net cash used in investing activities

During the Track Record Period, our cash used in investing activities was primarily for payment for acquisition of property, plant and equipment and advances to a Director.

For the year ended 31 May 2017, our net cash used in investing activities was approximately HK$23.9 million. The net cash used in investing activities was mainly attributable to the (i) payment for acquisition of property, plant and equipment of approximately HK$23.5 million. For further details, please refer the (i) paragraph headed "Analysis of various items from the Consolidated Statements of Financial Position – Plant and equipment" in this section; and (ii) advances to a Director, namely Mr. Sherman Heung, of approximately HK$0.4 million.

For the year ended 31 May 2018, our net cash used in investing activities was approximately HK$31.9 million. The net cash used in investing activities was mainly attributable to the (i) payment for acquisition of property, plant and equipment of approximately HK$4.3 million; and (ii) advances to a Director, namely Mr. Sherman Heung, of approximately HK$27.6 million.

For the year ended 31 May 2019, our net cash used in investing activities was approximately HK$16.5 million. The net cash used in investing activities was mainly attributable to the combined effect of (i) payment for acquisition of property, plant and equipment of approximately HK$25.0 million; and (ii) repayment from a Director, namely Mr. Sherman Heung, of approximately HK$6.7 million.

For the year ended 31 May 2020, our net cash used in investing activities was approximately HK$22.2 million. The net cash used in investing activities was mainly attributable to the combined effect of (i) payment for acquisition of property, plant and equipment of approximately HK$13.7 million; and (ii) advances to a Director, namely Mr. Sherman Heung, of approximately HK$8.6 million.

Net cash used in/generated from financing activities

During the Track Record Period, our net cash used in financing activities mainly included (i) amount due to Mr. Sherman Heung; and (ii) proceeds from new bank loans.

For the year ended 31 May 2017, our net cash used in financing activities was approximately HK$5.2 million, the entire amount of which was solely attributable to the decrease in amount due to Mr. Sherman Heung of approximately HK$5.2 million.

For the year ended 31 May 2018, there was no cash used in nor generated from financing activities.

For the year ended 31 May 2019, our net cash generated from financing activities was approximately HK$7.7 million. The net cash generated from financing activities was mainly attributable to (i) the proceeds from new bank loan of approximately HK$8.0 million; and (ii) the repayment of bank loan of approximately HK$0.3 million.

For the year ended 31 May 2020, our net cash used in financing activities was approximately HK$2.0 million. The net cash used in financing activities was mainly to the (i) the capital element of lease rental paid of approximately HK$0.7 million; (ii) repayment of bank loan of approximately HK$1.0 million; and (iii) bank loan interest paid of approximately HK$0.3 million.

NET CURRENT ASSETS/LIABILITIES

	As at 31 May				As at 30 September
	2017	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Current assets					
Contract costs	–	3,425	4,100	1,706	656
Contract assets	10,390	20,284	32,833	37,558	38,962
Trade and other receivables	18,195	53,881	37,267	33,013	59,289
Cash and cash equivalents	2,626	17,930	25,042	31,013	40,917
Current liabilities					
Trade and other payables	20,649	53,942	35,411	33,941	50,314
Contract liabilities	9,194	1,054	–	–	–
Bank loan	–	–	7,750	6,732	6,383
Lease liabilities	–	–	–	531	285
Current taxation	2,547	7,995	10,676	5,940	9,016
Net current (liabilities)/ assets	(1,179)	32,529	45,405	56,146	73,826

As at 31 May 2017, we recorded net current liabilities of approximately HK$1.2 million. The key components of our current assets as at 31 May 2017 included (i) contract assets of approximately HK$10.4 million, further details of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Contract assets and Contract liabilities" in this section below; (ii) trade and other receivables of approximately HK$18.2 million, which primarily consisted of trade receivables of approximately HK$16.8 million, further details and analysis of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Trade and other receivables" in this section below; and (iii) cash and cash equivalents of approximately HK$2.6 million. The key components of our current liabilities as at 31 May 2017 included (i) trade and other payables of approximately HK$20.6 million, which primarily consisted of trade payables of approximately HK$16.0 million, further details and analysis of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Trade and other payables" in this section below; (ii) contract liabilities,which was mainly related to billings in advance of performance in relation to marine construction works and vessel chartering services for our customers to secure our services, of approximately HK$9.2 million, further details of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Contract assets and Contract liabilities" in this section below; and (iii) current taxation of approximately HK$2.5 million. Subsequently to 31 May 2017, our Group's net current liabilities position was improved to a net current asset position as at 31 May 2018.

As at 31 May 2018, we recorded net current assets of approximately HK$32.5 million. The key components of our current assets as at 31 May 2018 included (i) contract costs of approximately HK$3.4 million; (ii) contract assets of approximately HK$20.3 million, further details of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Contract assets and Contract liabilities" in this section below; (iii) trade and other receivables of approximately HK$53.9 million, which primarily consisted of trade receivables of approximately HK$23.2 million and amount due from a Director of approximately HK$27.9 million, further details and analysis of which have been set out under the paragraphs headed "Analysis of various items from the consolidated statements of financial position – Trade and other receivables" and "Analysis of various items from the consolidated statements of financial position – Amount due from a Director" in this section below; and (iv) cash and cash equivalents of approximately HK$17.9 million. The key components of our current liabilities as at 31 May 2018 included (i) trade and other payables of approximately HK$53.9 million, which primarily consisted of trade payables of approximately HK$50.4 million, further details and analysis of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Trade and other payables" in this section below; (ii) contract liabilities of approximately HK$1.1 million; and (iii) current taxation of approximately HK$8.0 million.

As at 31 May 2019, we recorded net current assets of approximately HK$45.4 million. The key components of our current assets as at 31 May 2019 included (i) contract costs of approximately HK$4.1 million; (ii) contract assets of approximately HK$32.8 million, further details of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Contract assets and Contract liabilities" in this section below; (iii) trade and other receivables of approximately HK$37.3 million, which primarily consisted of trade receivables of approximately HK$15.0 million and amount due from a Director of approximately HK$21.3 million, further details and analysis of which have been set out under the paragraphs headed "Analysis of various items from the consolidated statements of financial position – Trade and other receivables" and "Analysis of various items from the consolidated statements of financial position – Amount due from a Director" in this section below; and (iv) cash and cash equivalents of approximately HK$25.0 million. The key components of our current liabilities as at 31 May 2019 included (i) trade and other payables of approximately HK$35.4 million, which primarily consisted of trade payables of approximately HK$25.8 million, further details and analysis of which have been set out under the paragraph headed "Analysis of various items from the consolidated statements of financial position – Trade and other payables" in this section below; (ii) bank loan of HK$7.8 million; and (iii) current taxation of approximately HK$10.7 million.

As at 31 May 2020, we recorded net current assets of approximately HK$56.1 million. The key components of our current assets as at 31 May 2020 included (i) contract costs of approximately HK$1.7 million; (ii) contract assets of approximately HK$37.6 million; (iii) trade and other receivables of approximately HK$33.0 million, which primarily consisted of trade receivables of approximately HK$10.4 million and amount due from a Director of approximately HK$19.9 million; and (iv) cash and cash equivalents of approximately HK$31.0 million. The key components of our current liabilities as at 31 May 2020 included (i) trade and other payables of approximately HK$33.9 million, which primarily consisted of trade payables of approximately HK$20.9 million; (ii) bank loan of approximately HK$6.7 million; and (iii) current taxation of approximately HK$5.9 million.

As at 30 September 2020, we recorded net current assets of approximately HK$73.8 million. The key components of our current assets as at 30 September 2020 included (i) contract assets of approximately HK$39.0 million; (ii) trade and other receivables of approximately HK$59.3 million, which primarily consisted of trade receivables of approximately HK$27.0 million and amount due from a Director of approximately HK$29.9 million; and (iii) cash and cash equivalents of approximately HK$40.9 million. The key components of our current liabilities as at 30 September 2020 included (i) trade and other payables of approximately HK$50.3 million, which primarily consisted of trade payables of approximately HK$34.2 million; (ii) bank loan of approximately HK$6.4 million; and (iii) current taxation of approximately HK$9.0 million.

ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net Book Value				
Vessels	10,843	20,986	35,367	43,352
Site equipment	2,324	1,282	4,541	4,463
Motor vehicles	473	741	986	601
Computer equipment	37	39	101	63
Furniture and fixture, leasehold improvement and properties leased for own use carried at cost	12	7	68	572
	13,689	23,055	41,063	49,051

The net book value of our property, plant and equipment amounted to approximately HK$13.7 million, HK$23.1 million, HK$41.1 million and HK$49.1 million as at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020, respectively. Our property, plant and equipment mainly comprised vessels and site equipment. Please refer to the table with the major types of vessels and site equipment owned by our Group as at the Latest Practicable Date set out under paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" for further details of vessels and site equipment owned by our Group.

The increase in our property, plant and equipment was mainly due to the acquisition of vessels, as to approximately HK$11.0 million and HK$12.4 million for the years ended 31 May 2017 and 2018, respectively, and net off depreciation charges for vessels of approximately HK$0.2 million and HK$2.3 million, respectively. The carrying value of property, plant and equipment further increased to (i) approximately HK$41.1 million as at 31 May 2019, primarily as a result of the acquisition of three vessels which amounted to approximately HK$16.8 million; and (ii) approximately HK$49.1 million as at 31 May 2020, primarily as a result of the acquisition of three vessels which amounted to approximately HK$11.2 million.

Trade and other receivables

Our trade and other receivables mainly comprised (i) trade receivables; (ii) consulting fee receivables; (iii) amount due from a director; (iv) other receivables; and (v) deposits and prepayments. The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	16,793	23,189	14,994	10,377
Consulting fee receivable	100	50	–	–
Advance to subcontractors	–	–	–	871
Amount due from a director	367	27,949	21,277	19,877
Other receivables	202	–	114	50
	17,462	51,188	36,385	31,175
Deposits and prepayments	733	2,693	882	1,838
	18,195	53,881	37,267	33,013

Trade receivables

Trade receivables represent certified work performed by us and billings raised to our customers but not yet settled. Trade receivables increased from approximately HK$16.8 million as at 31 May 2017 to approximately HK$23.2 million as at 31 May 2018, decreased to approximately HK$15.0 million as at 31 May 2019, and further decreased to approximately HK$10.4 million as at 31 May 2020 . The increase in trade receivables from 31 May 2017 to 31 May 2018 was mainly attributable to (i) the year-on-year increase in our revenue; and (ii) the increase in trade receivables aged within one month and between one to two months, which is largely in line with the credit period granted to our customers of 0 days to 60 days in general. The decrease in trade receivables from 31 May 2018 to 31 May

2019 was mainly attributable to certain work done for (i) three projects for marine construction works; and (ii) one project for other civil engineering works, not yet certified by our customers as at 31 May 2019, were recognised as contract assets, resulting in a relatively lower trade receivables balance. The trade receivables as at 31 May 2020 was mainly related to nine customers for our marine construction projects and/or other civil engineering projects, most of the trade receivable balance were aged within one month as at 31 May 2020.

In general, we generally offer a credit period of 0 days to 60 days from the date of invoice to most of our customers. Trade receivables are generally due within 60 days from the billing date. Prior to taking up a project, we would assess and consider various factors including but not limited to the relevant customer's size and background, credit history, financial condition and reputation, which we consider are essential factors for us to determine the credibility of such customer and the credit terms to be offered to our customer.

The following table sets forth an aging analysis of trade receivables, based on the date of progress certificate or the date of billing as at the end of each reporting period:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	14,805	17,672	7,470	9,807
1 to 2 months	1,737	5,386	367	570
2 to 3 months	251	131	7,157	–
	16,793	23,189	14,994	10,377

As at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020, approximately HK$14.8 million, HK$17.7 million, HK$7.5 million and HK$9.8 million of the trade receivables was aged within one month, representing approximately 88.2%, 76.2%, 49.8% and 94.5% of the trade receivables, respectively.

For trade receivables which were past due and not impaired, as at 31 May 2017, approximately HK$2.6 million and HK$0.3 million of the trade receivables outstanding was within one month and between one to two months past due, respectively, all of which were settled in full subsequent to 31 May 2017. As at 31 May 2018, approximately HK$3.4 million, HK$4.3 million and nil of the outstanding trade receivables were past due within one month, two to three months and over three months, respectively, such amount was attributable to four projects for marine construction works, all of which were settled in full subsequent to 31 May 2018. As at 31 May 2019, no outstanding trade receivables were past due. As at 31 May 2020, approximately HK$0.6 million of trade receivables were past due but not impaired, which was mainly attributable to two vessel chartering arrangements.

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of independent customers that have a good track record with us. Based on past experience, our management believes that no impairment allowance is necessary in respect of trade receivable balances as at 31 May 2017, 2018, 2019 and 2020 as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
Trade receivables turnover days *(Note)*	14.3	27.1	23.4	14.8

Note: Trade receivables turnover days is calculated based on the average of the opening and closing trade receivables balances as at the year end divided by revenue for the year, then multiplied by the number of days of the year.

The trade receivables turnover days increased from approximately 14.3 days for the year ended 31 May 2017 to approximately 27.1 days for the year ended 31 May 2018. The longer trade receivables turnover days for the year ended 31 May 2018 was mainly attributable to higher trade receivable balance as at 31 May 2018 as more progress payment applications were certified near the year end of 31 May 2018. The decrease in trade receivables turnover days to approximately 23.4 days as at 31 May 2019 was mainly due to the notable decrease in trade receivables by approximately HK$8.2 million from 31 May 2018 to 31 May 2019 primarily as a result of work done for one project in relation to other civil engineering works, but not yet certified by our customers as at 31 May 2019, thus were recognised as contract assets, resulting in a relatively lower trade receivable balance. The decrease in trade receivables turnover days to approximately 14.8 days for the year ended 31 May 2020 was mainly due to the notable period-on-period increase in our revenue by approximately HK$16.3 million.

As at the Latest Practicable Date, approximately HK$10.4 million, representing all of the trade receivables outstanding as at 31 May 2020 has been settled.

Amount due from a Director

As at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020, our amount due from a Director amounted to approximately HK$0.4 million, HK$27.9 million, HK$21.3 million and HK$19.9 million, respectively.

The outstanding amount due from a Director recorded was settled in full by way of set-off against dividend declared by our Company on 19 October 2020.

Please refer to Note 25(b) to the Accountants' Report set out in Appendix I to this prospectus for further details. The amount due from a Director is non-trade, unsecured, interest free and repayable on demand. All outstanding balances with related parties and Directors shall be settled prior to Listing.

Deposits and prepayments

As at 31 May 2017, our aggregated deposits and prepayment to our subcontractors amounted to approximately HK$0.7 million. As the relevant subcontractors' works in connection with the two marine construction projects have been completed during the year ended 31 May 2018, the entire prepayment amount to subcontractor has been utilised and recognised as subcontracting costs for the year ended 31 May 2018.

The deposits and prepayment amounted to approximately HK$2.7 million as at 31 May 2018, which primarily represented the prepaid listing expenses arising from the timing difference between the payment milestones of the relevant professional parties and the estimated progress of the Listing at the relevant time.

The deposits and prepayment amounted to approximately HK$0.9 million as at 31 May 2019, which primarily represented (i) the prepaid listing expenses arising from the timing difference between the payment milestones of the relevant professional parties and the estimated progress of the Listing at the relevant time; (ii) tender deposits; and (iii) deposits and prepayment for rent.

The deposits and prepayment amounted to approximately HK$1.8 million as at 31 May 2020, which primarily represented the prepaid listing expenses arising from the timing difference between payment milestones of the relevant professional parties and the estimated progress of the Listing at the relevant time.

Contract assets and Contract liabilities

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Arising from performance under marine construction works	10,390	20,284	26,205	27,847
Arising from performance under other civil engineering works	–	–	6,628	9,711
	10,390	20,284	32,833	37,558

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities				
Billings in advance of performance				
– Marine construction works	3,540	–	–	–
– Vessel chartering services	5,399	799	–	–
– Other civil engineering works	255	255	–	–
	9,194	1,054	–	–

A contract asset is 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 in accordance with the policy as set out in Note 2(g)(i) of the Accountant's Report in Appendix I to this prospectus and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is 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.

The carrying amounts of contract assets comprised of retention receivables of approximately HK$4.3 million, HK$4.1 million, HK$7.5 million and HK$10.4 million as at 31 May 2017, 31 May 2018, 31 May 2019 and 31 May 2020, respectively. The increase in retention receivables was mainly attributable to our business expansion. During the Track Record Period, defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being approximately three months to one year from the date of the certificate of practical completion. During the Track Record Period, we did not experience any material difficulties in collecting retention money from our customers.

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets (including of retention receivables)	10,390	20,284	32,833	37,558
Retention receivables (as included in contract assets)	4,300	4,100	7,454	10,424
Contract assets (excluding of retention receivables)	6,090	16,184	25,379	27,134

The increase in contract assets from approximately HK$10.4 million as at 31 May 2017 to approximately HK$20.3 million as at 31 May 2018 and further increased to approximately HK$32.8 million and HK$37.6 million as at 31 May 2019 and 2020, respectively, such was primarily attributable to the increase in marine construction works and other civil engineering works performed by us during the relevant period but not yet been certified by our customers as well as retention receivables. For the years ended 31 May 2017, 2018, 2019 and 2020, our Group recorded revenue of approximately HK$216.1 million, HK$269.6 million, HK$297.3 million and HK$313.7 million, respectively.

Retention receivables amounted to approximately HK$4.3 million as at 31 May 2017 which was attributable to four marine construction projects. As at the Latest Practicable Date, all the outstanding retention receivables balance as at 31 May 2017 has been released back to our Group.

Retention receivables amounted to approximately HK$4.1 million as at 31 May 2018 which was attributable to six marine construction projects. As at the Latest Practicable Date, all the outstanding retention receivables balance as at 31 May 2018 has been released back to our Group.

Retention receivables amounted to approximately HK$7.5 million as at 31 May 2019 which was attributable to six marine construction projects and one project for other civil engineering works. As at the Latest Practicable Date, all the outstanding retention receivables balance as at 31 May 2019 has been released back to our Group.

Retention receivables amounted to approximately HK$10.4 million as at 31 May 2020 which was attributable to nine marine construction projects and three projects for other civil engineering works. As at the Latest Practicable Date, out of the outstanding retention receivables balance as at 31 May 2020, approximately HK$1.3 million has been released back to our Group.

During the Track Record Period, our contract liabilities mainly comprised of advance from our customers. As at 31 May 2017, 2018, 2019 and 2020, the carrying amounts of our contract liabilities were approximately HK$9.2 million, HK$1.1 million, nil and nil, respectively. As at 31 May 2017, our contract liabilities mainly represented advances related to a marine construction project and a vessel chartering arrangement, which amounted to approximately HK$8.1 million in aggregate, from two customers. As at 31 May 2018, the aforesaid project and vessel chartering arrangement were completed and the relevant advances were recognised as revenue. As a result, the carrying amount of our contract liabilities as at 31 May 2018 decreased to approximately HK$1.1 million. As at 31 May 2019 and 2020, we did not record any contract liabilities as no advance from customers was provided to us.

The following table sets forth the turnover days of trade receivables (including contract assets) during the Track Record Period:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
Trade receivables turnover days (including contract assets) *(Note)*	23.1	47.9	56.0	55.7

Note: Trade receivables turnover days (including contract assets) is calculated based on the average of the opening and closing trade receivables and contract assets as at the year end divided by revenue for the year, then multiplied by the number of days of the year.

The trade receivables turnover days (including contract assets) increased from approximately 23.1 days for the year ended 31 May 2017 to approximately 47.9 days for the year ended 31 May 2018. The longer trade receivables turnover days for the year ended 31 May 2018 was mainly attributable to higher trade receivable and contract assets balance as at 31 May 2018. The trade receivables turnover days (including of contract assets) further increased to approximately 56.0 days for the year ended 31 May 2019, which was mainly due to the notable increase in contract assets by approximately HK$12.5 million from 31 May 2018 to 31 May 2019 primarily as a result of work done for one project in relation to other civil engineering works. The trade receivables turnover days (including contract assets) remained largely stable at approximately 55.7 days for the year ended 31 May 2020 compared to approximately 56.0 days for the year ended 31 May 2019.

Out of approximately HK$27.1 million of contract assets (excluding of retention receivables) as at 31 May 2020, approximately HK$25.1 million, representing approximately 92.6% of contract assets (excluding of retention receivables) has been certified and recognised as trade receivables and approximately HK$2.0 million, representing approximately 7.4% of contract assets (excluding of retention receivables) has been certified and recognised as retention receivables as at the Latest Practicable Date.

Our Directors confirmed that no revenue had been reversed during the Track Record Period subsequent to customer certification.

Contract costs

In general, contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets. For our Group, our contract costs as at 31 May 2020 primarily related to costs to fulfil a contract with a customer, such as depreciation, direct labour costs, repair and maintenance expenses and rental costs.

Contract costs as at 31 May 2018 and 31 May 2019 primarily related to costs incurred in fulfilling service contracts with customers. Contract costs are recognised as part of "direct costs" in the statement of profit or loss and other comprehensive income in the period in which revenue from the related sales or service contracts is recognised. There was no impairment in relation to the costs capitalised during the years ended 31 May 2018, 31 May 2019 and 31 May 2020. All contract costs are expected to be recovered within one year.

Trade and other payables

Our trade and other payables mainly comprised (i) trade payables; (ii) payables for acquisition of property, plant and equipment; (iii) retention payables; and (iv) accrued charges and other payables. The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,971	50,410	25,844	20,870
Retention payables	239	1,736	4,199	8,242
Payables for acquisition of property, plant and equipment	461	–	–	–
Accrued charges and other payables	3,978	1,796	5,368	4,829
	20,649	53,942	35,411	33,941

Trade payables

Trade payables mainly represented payables to subcontractors, material suppliers and vessels and equipment suppliers such as subcontracting costs, material costs and rental of vessels and equipment. The increase of our trade payables from approximately HK$16.0 million as at 31 May 2017 to approximately HK$50.4 million as at 31 May 2018 was mainly attributable to the increase in payables to our subcontractors, which was in line with the increase in our subcontracting costs. The decrease in our trade payables from approximately HK$50.4 million as at 31 May 2018 to approximately HK$25.8 million as at 31 May 2019 was mainly attributable to settlement of balance due to Yau Choi Lee Group of approximately HK$21.9 million for a marine construction project which involving regulation and deposition of sand blanket after DCM works, relevant works under this project were completed during the year ended 31 May 2019. The decrease of our trade payables from approximately HK$25.8 million as at 31 May 2019 to approximately HK$20.9 million as at 31 May 2020 was mainly attributable to the settlement of balance due to Yat Shing of approximately HK$6.3 million for the Kai Tak Other Civil Engineering Project.

Our credit term with suppliers generally ranges from 0 days to 30 days. Our credit term with subcontractors generally ranges from 0 days to 60 days after relevant customer settles our payments.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	10,982	42,550	11,588	16,688
1 to 2 months	4,980	6,019	5,809	4,182
2 to 3 months	9	39	8,447	–
Over 3 months	–	1,802	–	–
	15,971	50,410	25,844	20,870

The trade payables aged over three months increased from nil as at 31 May 2017 to approximately HK$1.8 million as at 31 May 2018, such was mainly attributable to the fact that it took relatively long period of time for us to liaise with the relevant subcontractors in finalising the amount approved for settlement. The trade payables aged over three months decreased to nil as at 31 May 2019 and 31 May 2020, respectively.

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

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
Trade payables turnover days *(Note)*	15.5	53.4	56.9	32.5

Note: Trade payables turnover days is calculated based on the average of the opening and closing trade payables as at the year end divided by direct costs for the year, then multiplied by the number of days of the year.

Trade payables turnover days were approximately 15.5 days, 53.4 days and 56.9 days as at 31 May 2017, 31 May 2018 and 31 May 2019, respectively. The increase in trade payables turnover days from approximately 15.5 days for the year ended 31 May 2017 to approximately 53.4 days for the year ended 31 May 2018 and approximately 56.9 days for the year ended 31 May 2019 was mainly due to the increase in direct costs over the Track Record Period. The decrease in trade payables turnover days to approximately 32.5 days for the year ended 31 May 2020 was mainly due to the further increase in direct costs by approximately HK$18.2 million, details of which are set out in the paragraph headed "Period to Period comparison of results of operations" in this section.

As at the Latest Practicable Date, approximately HK$20.9 million, representing all of the trade payables outstanding as at 31 May 2020 has been settled.

Accrued charges and other payables

Accruals charges and other payables mainly included salaries and direct labour payable and other payables. Our accrued charges and other payables decreased from approximately HK$4.0 million as at 31 May 2017 to approximately HK$1.8 million as at 31 May 2018 and increased to approximately HK$5.4 million as at 31 May 2019. Our accrued charges and other payables decreased to approximately HK$4.8 million as at 31 May 2020. As at the Latest Practicable Date, approximately HK$3.1 million, representing approximately 63.3%, of the accrued changes and other payables outstanding as at 31 May 2020 has been settled.

Payables for acquisition of property, plant and equipment

Payables for acquisition of property, plant and equipment as at 31 May 2017 of approximately HK$0.5 million was related to the enhancements made to two of our vessels. There was no payables for acquisition of property, plant and equipment as at 31 May 2018, 31 May 2019 and 31 May 2020, respectively.

Retention payables

Retention payables represent the retention money from our subcontractors to secure their due performance of contracts. Retention payables are recognised in respect of the retention money we hold, being usually up to 5.0%-10.0% of each interim payment and up to a maximum limit of 2.5%-5.0% of the contract sum as retention money, which would only be fully released by us upon the expiry of the defects liability period, generally being approximately three months to one year from the date of the certificate of practical completion.

Retention payables to subcontractors are interest-free and payable at the end of the defects liability period of individual contracts (i.e. one year after completion of respective prospect).

Tax payable

Current taxation in the consolidated statements of financial position represents:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for Hong Kong Profits Tax for the year	2,547	5,448	5,228	6,161
Provisional Profits Tax Paid	–	–	–	(221)
	2,547	5,448	5,228	5,940
Balance of Profits Tax provision relating to prior years	–	2,547	5,448	–
	2,547	7,995	10,676	5,940

The tax payable is related to the provision for Hong Kong Profits Tax for the relevant year. The tax payable for the years ended 31 May 2017 and 2018 as respectively set out in the tax assessments for 2017-2018 and 2018-2019 issued by Inland Revenue Department in April 2019 and December 2019 amounted to approximately HK$2.5 million and HK$5.4 million was fully settled by us in April 2019 and January 2020, respectively.

Related party transactions

Amount due from a related party

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from Mr. Sherman Heung	367	27,949	21,277	19,877

As at 31 May 2017, 31 May 2018, 31 May 2019, 31 May 2020 and the Latest Practicable Date, the amount due from Mr. Sherman Heung was approximately HK$0.4 million, HK$27.9 million, HK$21.3 million, HK$19.9 million and nil, respectively. Please refer to the paragraphs headed "Material Related Party Transactions" in Note 25 of the Accountants' Report set out in Appendix I to this prospectus and "Analysis of various items from the consolidated statements of financial position – Trade and other receivables – Amount due from a Director" in this section for further details.

INDEBTEDNESS

	As at 31 May				As at 30 September
	2017	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)
Secured bank loan	–	–	7,750	6,732	6,383
Lease liabilities	–	–	–	531	285

As at 31 May 2017, 31 May 2018, 31 May 2019, 31 May 2020 and 30 September 2020, our Group had total indebtedness of nil, nil, approximately HK$7.8 million, HK$7.3 million and HK$6.7 million, respectively. The bank borrowings are at floating rate which carry interest at HK$ prime lending rate plus/minus a spread. The effective interest rate on our Group's bank borrowings was nil, nil, approximately 4.13%, 4.00% and 4.00% per annum as at 31 May 2017, 31 May 2018, 31 May 2019, 31 May 2020 and 30 September 2020, respectively. Our bank loan was secured by mortgage over certain of our Group's vessels and personal guarantee provided by Mr. Sherman Heung, which will be released or replaced by corporate guarantee to be provided by our Company upon Listing. The outstanding external indebtedness as at 30 September 2020 were primarily denominated in HK$. As at 30 September 2020, our Group had unutilised banking facilities of approximately HK$1.0 million.

Our Directors confirm that there was no material delay or default in repayment of our indebtedness, nor breach of any relevant finance covenant on our part, during the Track Record Period and up to 30 September 2020. There was no material covenant relating to our Group's outstanding debts.

As at 30 September 2020, being the latest practicable date of our indebtedness statement, save as disclosed under paragraph headed "Indebtedness" in this section, our Group did not have any outstanding debt securities, bank overdrafts, borrowings, indebtedness, mortgages, debentures, hire purchase commitments, guarantees or other material contingent liabilities. Save as disclosed under paragraph headed "Indebtedness" in this section, there is no material adverse change in our indebtedness.

Contingent liabilities

As at 30 September 2020, our Group had no significant contingent liabilities or outstanding litigation.

Our Directors confirmed that there has not been any material adverse change in our indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that save as disclosed under paragraph headed "Indebtedness" in this section, we have not raised material external debt financing. Our Directors confirmed that we had neither experienced any difficulties in repayment nor breached any major covenant of our banking facilities during the Track Record Period.

WORKING CAPITAL

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash from operations, bank loans and other borrowings.

Taking into account the financial resources available to our Group, including the internally generated funds, our available credit facilities and the estimated net proceeds from the Share Offer, our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

COMMITMENTS

Operating lease commitments

At the end of each reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases:

	As at 31 May		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	461
After one year but within five years	–	–	40
	–	–	501

Our Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. Our Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, our Group adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to these leases. From 1 June 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statements of financial position in accordance with the policies set out in Note 2(f) headed "Significant Accounting Policies – leased assets" to the Accountants' Report in Appendix I to this prospectus, and the details regarding our Group's future lease payments are disclosed in Note 19 headed "Lease liabilities" to the Accountants' Report in Appendix I to this prospectus.

DIVIDENDS

During the years ended 31 May 2017, 2018 and 2019, our Company and its subsidiaries did not declare any dividend. During the year ended 31 May 2020, our Company declared an interim dividend of HK$10,000,000 in November 2019 to its then shareholders, which has been settled by setting off against current account balance of director. On 19 October 2020, our Company declared an interim dividend of HK$40,000,000 to our then shareholder, which was settled by (i) setting off against the then amount due from a Director of approximately HK$29.9 million; and (ii) cash of approximately HK$10.1 million. We do not have a pre-determined dividend pay-out ratio or policy and may declare dividends by way of cash or other means that our Directors consider appropriate. Pursuant to our dividend policy, being effective upon Listing, our Board may propose the payment of dividends, if any, on a per share basis, provided that our Group is profitable and without affecting the normal operations and business of our Group, our Board may consider declaring and paying dividends to the Shareholders by taking into account the following factors, among others, (i) the actual and expected financial performance of our Group; (ii) the general business conditions and strategies of our Group; (iii) the expected working capital requirements, capital expenditure requirements and future expansion plans of our Group; (iv) the retained earnings and distributable reserves of our Company and each of the other members of our Group; (v) the level of our Group's debts to equity ratio and return on equity as well as financial covenants to which our Group is subject; (vi) our Group's liquidity position and future commitments at the time of declaration of dividends; (vii) the statutory and regulatory restrictions which our Group is subject to from time to time; (viii) the general economic conditions, business cycle of our Group's business and other internal or external factors that may have an impact on the business or financial performance and position of our Group; and (ix) any other factors that the Board may deem appropriate. Such declaration and payment of dividends by our Company shall remain to be determined at the sole discretion of our Board and subject to the requirements under all applicable laws, rules and regulations as well as the Articles of Association.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 May 2018 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

SUBSEQUENT EVENT

For significant events that took place subsequent to 31 May 2020, please refer to section headed "III. Subsequent Events" of the Accountants' Report set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at/For the year ended 31 May			
	2017	2018	2019	2020
Return on total assets (%)(1)	41.3	27.8	20.5	18.5
Return on equity (%)(2)	110.1	61.9	35.0	28.1
Current ratio (times)(3)	1.0	1.5	1.8	2.2
Quick ratio (times)(4)	1.0	1.5	1.8	2.2
Gearing ratio (%)(5)	nil	nil	9.4	7.3
Interest coverage ratio (times) (6)	nil	nil	452.5	107.0

Notes:

1. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%.

2. Return on equity is calculated by dividing profit for the respective year with total equity as at the end of the respective year multiplied by 100%.

3. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year.

4. Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities as at the end of the respective year.

5. Gearing ratio is calculated by dividing total debts which include payables incurred not in the ordinary course of business excluding amounts due to related parties with total equity as at the end of the respective year.

6. Interest coverage is calculated by dividing profit before interest and tax with interest expenses for the respective year.

Return on total assets

Our return on total assets were approximately 41.3%, 27.8%, 20.5% and 18.5% for the years ended 31 May 2017, 2018, 2019 and 2020, respectively. The decrease was mainly the rate of increase in the expansion of our total asset being greater than the rate of increase of our profit for the relevant years over the Track Record Period.

Return on equity

Our return on equity decreased from approximately 110.1% for the year ended 31 May 2017 to approximately 61.9% for the year ended 31 May 2018, which was mainly due to increase of total equity from approximately HK$20.3 million as at 31 May 2017 to approximately HK$53.3 million as at 31 May 2018 mainly as a result of the profit for the year ended 31 May 2018. Our return on equity decreased from approximately 61.9% for the year ended 31 May 2018 to approximately 35.0% for the year ended 31 May 2019, which was mainly due to the further increase of total equity from approximately HK$53.3 million as at 31 May 2018 to approximately HK$82.0 million as at 31 May 2019. Our return on equity further decreased from approximately 35.0% for the year ended 31 May 2019 to approximately 28.1% for the year ended 31 May 2020, which was mainly due to the further increase of total equity from approximately HK$82.0 million as at 31 May 2019 to approximately HK$100.2 million as at 31 May 2020 while profit for the relevant year was largely stable.

Current ratio and quick ratio

Our current ratio increased from approximately 1.0 times as at 31 May 2017 to approximately 1.5 times as at 31 May 2018, which was mainly attributable to (i) the increase in contract costs from nil to approximately HK$3.4 million; (ii) the increase in contract assets from approximately HK$10.4 million to approximately HK$20.3 million; (iii) the increase in trade and other receivables from approximately HK$18.2 million to approximately HK$53.9 million; and (iv) the increase in cash and cash equivalents from approximately HK$2.6 million to approximately HK$17.9 million; and was partially offset by (i) the increase in trade and other payables from approximately HK$20.6 million to approximately HK$53.9 million; (ii) the decrease of contract liabilities from approximately HK$9.2 million to approximately HK$1.1 million; and (iii) the increase in current taxation from approximately HK$2.5 million to HK$8.0 million. Our current ratio further increased to approximately 1.8 times as at 31 May 2019, which was mainly attributable to (i) the increase in contract costs from approximately HK$3.4 million to approximately HK$4.1 million; (ii) the increase in contract assets from approximately HK$20.3 million to approximately HK$32.8 million; (iii) the increase in cash and cash equivalents from approximately HK$17.9 million to approximately HK$25.0 million; and (iv) the decrease in trade and other payables from approximately HK$53.9 million to approximately HK$35.4 million; and was partially offset by (i) the decrease in trade and other receivables from approximately HK$53.9 million to approximately HK$37.3 million; and (ii) the increase in current taxation from approximately HK$8.0 million to HK$10.7 million. Our current ratio increased to approximately 2.2 times as at 31 May 2020, which was mainly attributable to the net effects of (i) the increase in contract assets from approximately HK$32.8 million to approximately HK$37.6 million; (ii) the increase in cash and cash equivalents from approximately HK$25.0 million to approximately HK$31.0 million; (iii) the decrease in current taxation liabilities from approximately HK$10.7 million to approximately HK$5.9 million; and (iv) the decrease in trade and other receivables from approximately HK$37.3 million to approximately HK$33.0 million.

Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities as at the end of the respective year. The quick ratio is the same as the current ratio since our Group did not maintain any inventory during the Track Record Period.

Gearing ratio

Our gearing ratio remained to be nil as our Group did not have any bank borrowings as at 31 May 2017 and 2018. Our gearing ratio increased to approximately 9.4% as at 31 May 2019, such increase was mainly attributable to the drawdown of bank loan amounted to HK$8.0 million. Our gearing ratio decreased to approximately 7.3% as at 31 May 2020, mainly attributable to the total equity of our Group increased from approximately HK$82.0 million as at 31 May 2019 to approximately HK$100.2 million as at 31 May 2020.

Interest coverage ratio

Our interest coverage ratio remained as nil for the years ended 31 May 2017 and 2018, respectively. Our interest coverage ratio was approximately 452.5 times for the year ended 31 May 2019, which was primarily due to the increase in our finance costs from nil to approximately HK$80,000. Our interest coverage ratio decreased from approximately 452.5 times for the year ended 31 May 2019 to approximately 107.0 times for the year ended 31 May 2020, which was primarily due to the increase in our finance costs from approximately HK$80,000 to approximately HK$0.3 million for the year ended 31 May 2020.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade receivables and contract assets. Our Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with their high credit ratings, for which our Group considers to have low credit risk.

Our Group does not provide any guarantees which would expose our Group to credit risk.

(b) Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover the expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group's interest rate risk arises primarily from bank loans and cash at banks. Bank loan issued at variable rates expose our Group to cash flow interest rate risk.

Our Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than bank loan which carries interest at variable interest rate, our Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from bank loan.

However, the interest expenses derived therefrom are relatively insignificant to our Group's operations. Therefore, our Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, our Directors are of the opinion that our Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Our Group's currency risk primarily relates to our Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

Our foreign currency assets and liabilities held by our Group are not material compared to the total assets and liabilities. In terms of our Group's operating structure, the majority of the business transactions are denominated in HK$, and the proportion of foreign currency transactions is not significant to our Group. Our Group considers that the currency risk of our Group's operations is immaterial due to the relatively low proportion of our Group's foreign currency denominated assets, liabilities, income and expenses, as compared to our Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 May 2020. Please see the paragraph headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

LISTING EXPENSES

We did not record any listing expenses for the two years ended 31 May 2017 and 2018. The estimated total listing expenses to be borne by our Group, which primarily represent professional fees for our Share Offer is non-recurrent in nature, has been estimated to be approximately HK$43.3 million, assuming Offer Price of HK$0.2475 per Offer Share, being the mid-point of the indicative Offer Price range, and without taking into account any discretionary incentive fees, of which approximately HK$22.7 million is directly attributable to the issue of the Offer Shares to the public and is to be accounted for as a deduction from equity. For the years ended 31 May 2019 and 31 May 2020, approximately HK$9.5 million and HK$7.2 million of listing expenses was charged to the consolidated statements of profit or loss and other comprehensive income, and approximately HK$3.9 million is expected to be charged to the consolidated statements of profit or loss and other comprehensive income after Track Record Period. Our Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 May 2021 will continue to be affected by the estimated expenses in relation to the Listing. It should be noted that the listing expenses are current estimate and for references only.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business and operations

As at the Latest Practicable Date, the estimated tender sum for 13 tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitation to tender and to be submitted by us amounted to approximately HK$693.7 million. Out of the above, save for one tender related to marine construction works, all of these tenders/quotations for projects were with initial contract sum over HK$5 million (i.e. sizeable projects). In addition, for information on (i) tenders/quotations to be submitted in response to invitations received; and (ii) tenders/quotations submitted which are pending results, as at the Latest Practicable Date, please refer to the paragraph headed "Future Plans and Use of Proceeds – Reasons for listing – Ongoing demand for our principal businesses" in this prospectus. Subject to various factors, including among others, the progress of our contract works, the actual level of direct costs to be incurred by our Group and barring unforeseen circumstances, our Directors expected the gross profit margin of our Group for the year ending 31 May 2021 to be broadly in line with the gross profit margin recorded by our Group during the Track Record Period, after taking into consideration of factors, including but not limited to, (i) the estimated revenue generated and to be generated based on the ongoing projects and awarded contracts; (ii) estimated costs incurred and to be incurred for the ongoing projects and awarded contracts based on the subcontracting costs, material costs, direct labour costs, rental costs, and other direct costs; and (iii) other information available to our Directors including tender budgets.

In October 2019, our Group has been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works, and up to the Latest Practicable Date, our Group has tendered for seven port works contracts as a main contractor with an aggregated contract sum of approximately HK$460.7 million. Up to the Latest Practicable Date, five of the tenders were unsuccessful and the aggregate contract sum of the remaining tenders pending result amounted to approximately HK$151.3 million. Our Directors consider that our project management team have the capability, experience and skills to handle projects where we will act as a main contractor given that we have been responsible for the project management, supervision and coordination role in some of our projects during the Track Record Period, and our Directors consider that such management role was analogous to the management role of a main contractor. As our Group anticipates that our working capital commitment for main contractor projects will be larger as compared with our current position and role as a subcontractor to a project, we have adopted certain measures with a view to minimise the risk of cash flow mismatching in our operations. For details, please refer to the paragraph headed "Business – Business strategies – Strengthen our market position and expand our market share" in this prospectus.

The indebtedness of our Group as at 30 September 2020, being the latest practicable date for determining the amount of indebtedness in this prospectus, amounted to approximately HK$6.7 million. Further details of our Group's indebtedness statement as at 30 September 2020 are set out under the section headed "Financial Information – Indebtedness" in this prospectus.

Save for the impact of the listing expenses charged and to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 May 2021, which would in turn adversely impact our Group's financial results, our Directors confirm that, up to the date of this prospectus, there has been no other material adverse change in the financial or trading position or prospects of our Group since 31 May 2020, being the date to which the latest audited consolidated financial statements of our Group were prepared.

Outbreak of COVID-19

The recent outbreak of COVID-19 (the "**Outbreak**") has affected the market sentiment and dampened the local economy generally. Our Directors have closely monitored the development of the Outbreak in Hong Kong and maintained close communications with our customers, suppliers and subcontractors to ensure that (i) any significant impact on the status or progress of our ongoing projects would be alerted to us at an early stage; and (ii) supply shortages on any major materials and labour can be avoided. Our Group has assessed the overall impact of the Outbreak on our business operation and sustainability by continuously reviewing its impact on several areas, including (i) daily operations; (ii) project tendering and project statuses; (iii) delivery of services; (iv) sourcing of vessels/materials; (v) subcontractors; (vi) industry and competition; and (vii) financial impact, of our Group as set out below:

(i) **Daily operations**: As a Hong Kong-based marine construction works subcontractor specialised in marine construction works and supplemented by vessel chartering services and other civil engineering works during the Track Record Period, our operations are all carried out in Hong Kong. While the Outbreak has inevitably created a certain degree of impediment to our Group and our employees such as longer commutes due to reduced frequency of public transportation caused by the Outbreak, our employees have been able to carry out their duties generally, and our Group have been able to maintain our daily operations without material disruptions as all of our employees, including site workers, are Hong Kong residents and are not affected by the border shutdown measures. Our Directors confirmed that, based on our Group's record of number of man-days completed by our site workers, number of sick leave days of our employees, as well as our internal schedule of construction works for the respective contracts, no material disruption has been recorded in respect of our material business functions since the Outbreak and up to at the Latest Practicable Date;

(ii) **Project tendering and project statuses**: With regard to the number of invitation to tender/quotation received by our Group and the status of those tenders/ quotations, our Directors have not observed any material adverse change to the tendering/quotation deadlines, change in construction timetable or cancellation of tender/request for quotations up to the Latest Practicable Date. In addition, none of our ongoing and forthcoming projects had been subjected to significant delay, suspension of works, or cancellation by our customers which was directly attributable to the Outbreak since December 2019;

(iii) **Delivery of services**: Our Group has continued to deliver services under existing marine construction projects, other civil engineering projects, and vessel chartering arrangements without any material disruptions up to the Latest Practicable Date as demonstrated by our financial performance for the year ended 31 May 2020;

(iv) **Sourcing of vessels/materials:** Our Group has not experienced any difficulties in sourcing vessels for chartering and/or sourcing the required materials which caused material disruptions to our operations since the Outbreak and up to the Latest Practicable Date. Based on the information obtained from and/or advised by our Group's major suppliers, they have maintained a reasonable level of inventory. Besides, our Group has maintained a number of approved suppliers for vessel chartering and for certain key materials to our business such as sand and aggregate. Hence, the Outbreak has not caused any prolonged material disruptions to the supply chain of relevant vessels and materials in general up to the Latest Practicable Date. In the event that a supplier is unable to provide the desired vessels/materials, our Directors believe that our Group will be able to source them from other approved suppliers. Our Directors are aware that the construction industry in Hong Kong had experienced temporary shortages in concrete and reinforcement supply due to a breakdown in supply from sources based in the PRC at the early stage of the Outbreak. The situation had improved since then and those materials were not major materials required for our Group's business;

(v) **Subcontractors:** Our Group's subcontractors are all based in Hong Kong, and carried out part of the works of our Group's projects, such as ELS works, pile cap works, pipeline removal works, regulation and deposition of sand blanket and removal of core rock material. In light of the Outbreak, our Group has issued notice requesting our subcontractors to prohibit any workers who had travelled to the PRC or recently come back to Hong Kong from overseas from entering our Group's premises and our project construction sites for 14 days after arrival in Hong Kong. The work progress of our Group's subcontractors has not been materially and adversely affected and our Group has not experienced any material disruptions regarding the services provided by our Group's subcontractors up to the Latest Practicable Date;

(vi) **Industry and competition:** As set out in the Ipsos Report, the estimated gross output value of (a) the marine construction works industry in Hong Kong would be approximately HK$25.3 billion for 2020 compared to approximately HK$24.4 billion for 2019; and (b) the civil engineering works industry would be approximately HK$52.9 billion for 2020 compared to approximately HK$51.4 billion for 2019. Our Directors are of the view that competition in the markets in which our Group operates, has not been materially affected by the Outbreak and to the best of our Directors' knowledge, the number of comparable competitors with our Group remains similar and our Group's tendering strategy and pricing have not been significantly changed as a result of the Outbreak; and

(vii) **Financial impact:** Based on the unaudited consolidated management accounts of our Group for the four months ended 30 September 2020, our unaudited revenue has increased as compared to that for the prior corresponding period and the gross profit margin of the Group was broadly in line with that of the prior corresponding period.

Based on our Group's financial and operational data since the commencement of the Outbreak and up to the Latest Practicable Date, our Directors are of the view that our Group's continuing business operations and sustainability has not been materially and adversely affected by the Outbreak. Further, our Group has implemented a series of precautionary measures to ensure a hygienic and safe working environment for our employees including (i) request our employees who had travelled to the PRC or returned to Hong Kong from overseas recently to stay at home for 14 days as self-quarantined period; (ii) request our subcontractors to withdraw their workers who had travelled to the PRC or returned to Hong Kong from overseas recently from entering our premises and project sites for 14 days for quarantine purpose; (iii) issue a circular to our employees which highlights the need to maintain personal hygiene including the need to wear surgical masks during work hours, to wash hands frequently and self-quarantine arrangement and reporting mechanism for infected case; (iv) mandatory temperature checks of our employees in office and project sites every day and provision of surgical masks to our employees in need; (v) arrange regular cleaning of our office using appropriate disinfectant; (vi) arrange computer notebooks with remote access capability for administrative employees who need to work from home during the self-quarantine period; and (vii) request our employees to inform the human resources department for appropriate arrangement to avoid the spread of COVID-19 if our employees or residents of their residential buildings/estates have contracted COVID-19.

In view that none of our projects had been subjected to significant delay, suspension of work, or cancelled by customers directly attributable to the Outbreak since December 2019, no material disruption has been recorded in respect of any of our material business function as at the Latest Practicable Date, and the series of precautionary measures in place, our Directors consider that the overall impact caused by the Outbreak on our business, results of operations and/or financial performance have not been significant. On this basis, our Directors consider that there were no material potential losses directly attributable to the Outbreak as at the Latest Practicable Date. If the Outbreak continues in the long term, our Group will consider implementing the following contingency plans to minimise the potential impact of the Outbreak on our business operation:

(i) to discuss and prepare a contingency plan with our customers in relation to arrangements for the projects at the planning stage of a project in case of Outbreak at the project site and/or to the parties of the project, and determine information such as contacts of the parties involved in the projects, the assignment of alternate personnel to replace project team members in the event of their prolonged absence, and the details of alternate suppliers and subcontractors;

(ii) to avoid shortage in supply of materials caused by disruption to the supply chain, we would obtain additional quotations from different suppliers and retain the quotations from these suppliers for back-up purpose. As at the Latest Practicable Date, we have 148 suppliers on our list of approved suppliers which our Directors consider to be a reasonably diversified base of approved suppliers to meet our needs and we do not rely on one single supplier; and

(iii) to avoid shortage in labour supply, we would obtain additional quotations from different subcontractors and retain the quotations from these subcontractors for back-up purpose. As at the Latest Practicable Date, we have 29 subcontractors on our list of approved subcontractors and our Directors are of the view that our business operation does not rely on one single subcontractor.

The implementation of the contingency plans stated above is not expected to incur significant costs given our existing network and business relationship with our customers, suppliers, and subcontractors. In light of the insignificant impact of the Outbreak noted as at the Latest Practicable Date and the contingency plans our Group will implement if the Outbreak continues, our Directors consider that the Outbreak will not have significant implications on our Group's plan in developing and expanding our business.

Since the Outbreak in December 2019 and up to the Latest Practicable Date, our Group incurred total costs of approximately HK$150,000, which is mainly attributable to (i) the paid leave for employees who resided at residential buildings which had confirmed cases of COVID-19 to cover the required days to undergo testing for COVID-19 and the release of the test result with a view to prevent spread of COVID-19 at project sites, and to achieve rotation of staff to attend work with a view to maintain social distancing in the office, our employees were given paid leave for the working days which they were not required to attend work; and (ii) the purchase of consumables including masks and sanitisers, to prevent the spread of COVID-19. Our Group will continue to implement the abovementioned precautionary measures with a view to provide a hygienic and safe working environment for our employees and in line with the development of the Outbreak in Hong Kong, the existing measures will be reviewed and modified, where necessary. Our Directors will also continue to monitor the progress of both our secured projects and the status of our submitted quotations/tenders alongside the development of the Outbreak to keep track of any potential adverse impacts which may materialise and negatively affect the financial performance and business operations of our Group.

For illustration purposes only, an analysis is conducted based on the worst-case scenario after taking into account of the cash payment of dividend of approximately HK$10.1 million to the then shareholder of our Company on 19 October 2020, whereby it is assumed that our Group will not derive any revenue commencing from the date of Listing onwards due to the Outbreak but will continue to incur operating and administrative expenses, rental expenses and salaries and wages to maintain our operations. Under the aforesaid unlikely and extreme event, it is also assumed that there will be no further financing from our then Shareholders, no utilisation of existing banking facilities, and our Group will not pay any dividend during the said period, and taking into account the net proceeds from the Share Offer for general working capital purposes, we estimated that our existing cash and cash equivalents and trade receivables as at 31 August 2020 are sufficient to maintain our Group's financial viability for at least the following 12 months without utilising any proceeds from the Listing in settling its estimated monthly fixed costs (including rentals and staff costs), trade payables and finance costs from bank borrowings outstanding as at 31 August 2020.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

BUSINESS STRATEGIES

Our strategy is to further strengthen our market position in the marine construction works industry in Hong Kong by (i) further developing our strengths and capacity, in particular, for marine construction works and gradually increase our market share by extending into the provision of general reclamation works and post reclamation port works, through acquiring different types of vessels primarily for the use in marine construction works. We have been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019, which would enable our Group to tender for public works contract for port works of up to HK$300 million, thereby allowing us to further our business development, strengthen our position in the marine construction works industry in Hong Kong and increase our overall efficiency, capacity and technical capability in performing our works as well as our ability to cater for the different needs and requirements of our customers. According to the Ipsos Report, the estimated gross output value of the marine construction works industry in Hong Kong is approximately HK$24.4 billion in 2019 and will increase to approximately HK$25.3 billion in 2020, decrease to approximately HK$9.3 billion in 2023 and rebound to approximately HK$29.9 billion in 2027, and based on the information available and barring unforeseen circumstances, Ipsos also projected that there will be adequate demand in the marine construction works industry in Hong Kong from 2023 onwards; (ii) acquiring additional vessels, such as dumb lighters, tug boats, flat top barge, passenger boat and work boat, and site equipment to supplement our existing vessel fleet and strengthen our position in the marine construction works industry in Hong Kong; and (iii) strengthening our manpower by hiring, among others, additional management staff equipped with appropriate knowledge and experience to oversee and supervise our projects going forward as we intend to take on more marine construction works and other civil engineering works. For details of our business strategies, please refer to the paragraph headed "Business – Business strategies" in this prospectus.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds from the Share Offer that we will receive after deducting the related underwriting fees and estimated expenses in connection with the Share Offer:

	HK$ million
Assuming an Offer Price of HK$0.27 (being the high-end of the Offer Price range)	105.2
Assuming an Offer Price of HK$0.2475 (being the mid-point of the Offer Price range)	94.3
Assuming an Offer Price of HK$0.225 (being the low-end of the Offer Price range)	83.4

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses in connection with the Share Offer, are estimated to be approximately HK$94.3 million, assuming an Offer Price of HK$0.2475 per Offer Share (being the mid-point of the Offer Price range of HK$0.225 to HK$0.27 per Offer Share). Our Directors intend to apply such net proceeds as follows:

- approximately HK$63.8 million (or approximately 67.6% of the net proceeds from the Share Offer) to expand our fleet of vessels and site equipment during the year ending 31 May 2021 and the first quarter of the year ending 31 May 2022 after the Listing for, among others, potential marine construction works, a breakdown of which is set out below:

Type of vessels (approximate capacity)	**Function**	**Number of vessel(s)**	**Expected costs**	**As a percentage of net proceeds**
			(HK$'000) (approximate)	*(%) (approximate)*
Dumb lighter *(2,500 tonne) (Note 1)*	Transport/unloading/loading goods, containers or materials to and from moored vessels	1	5,600	5.9
Flat top barge *(3,000 tonne) (Note 2)*	Transport/unloading/loading goods, containers or materials to and from moored vessels	2	16,000	17.0
Passenger boat *(with 99 passenger capacity) (Note 1)*	Providing transportation services for passengers from point-to-point.	1	4,600	4.9
Tug boat *(800 horsepower to 855 horsepower) (Note 3)*	Maneuvering other vessels by pushing or pulling them either by direct contact or by means of a tow line.	2	12,000	12.7
Work boat *(30 tonne) (Note 1)*	(i) towing special purpose vessels for reclamation works; (ii) assisting vessels in mooring process; (iii) collecting water samples for testing; and (iv) removing of marine waste from local waters	1	8,000	8.5
Total		7	46,200	49.0

Type of site equipment (approximate capacity, where applicable) *(Note 4)*	**Function**	**Number of site equipment**	**Expected costs**	**As a percentage of net proceeds**
			(HK$'000) (approximate)	*(%) (approximate)*
Excavator *(30 tonne)*	Digging of landscape areas and shifting large amount of earth	3	5,700	6.0
Excavator *(50 tonne)*		3	6,000	6.4
Excavator install on barge *(30 tonne)*		2	3,800	4.0
Hydraulic hammer	Used for demolishing a structure and breaking rocks into smaller sizes	6	2,100	2.2
Total		14	17,600	18.6

Notes:

1. This type of vessels had been used for, among others, project 006, 017 and 018 under marine construction works during the Track Record Period.

2. This type of vessels had been used for, among others, project 014, 027 and 029 under marine construction works during the Track Record Period.

3. This type of vessels had been used for, among others, project 006, 017 and 027 under marine construction works during the Track Record Period.

4. This type of site equipment had been used for, among others, project 017 and 028 under marine construction works during the Track Record Period.

Each type of the vessels and site equipment to be acquired by our Group with the net proceeds from the Share Offer had been used for our marine construction works during the Track Record Period.

For the detailed function of each type of the vessels and site equipment to be acquired by our Group by utilising the net proceeds from the Share Offer, please refer to the table above.

Our potential projects subsequent to the Track Record Period

The estimated tender sum for tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitation to tender/quotation and to be submitted by us amounted to approximately HK$693.7 million as at the Latest Practicable Date, (i) approximately HK$543.7 million of which are attributable to 10 tenders/quotations for marine construction or other civil engineering projects submitted by us and the results of which were pending as at the Latest Practicable Date; and (ii) the remaining amount were attributable to three invitations to tender/quotations open tenders for marine construction works or other civil engineering works, the tenders/quotations/open tenders of which are expected to be submitted by our Group in or around the second half of 2020. Out of the above, save for one tender related to marine construction works, all of these tenders/quotations and invitations to tenders/quotations/open tenders are for projects with initial contract sum over HK$5 million (i.e. sizeable projects). Please refer to the paragraph headed "Reasons for listing – Ongoing demand for our principal businesses" in this section for further details.

Summary table of major types of vessels and site equipment owned and to be acquired

The following table summarises the major types of vessels and site equipment (i) owned by our Group as at the Latest Practicable Date; and (ii) proposed to be acquired by utilising the net proceeds from the Share Offer:

Type of vessels and site equipment	Number of vessel(s)/site equipment owned by our Group as at the Latest Practicable Date	Number of vessel(s)/site equipment proposed to be acquired by utilising the net proceeds from the Share Offer
Vessels		
Work boat	1	1
Special purpose vessel	6	–
Dumb lighter	1	1
Flat top barge	–	2
Passenger boat	–	1
Tug boat	1	2
Multi-purpose vessel	1	–
Site equipment *(Note)*		
Excavator (30 tonne)	–	3
Excavator (50 tonne)	2	3
Excavator install on barge (30 tonne)	–	2
Hydraulic hammer	–	6

Note: The site equipment sets out in the table primarily focused on site equipment proposed to be acquired and does not represent a full list of site equipment owned by our Group as at the Latest Practicable Date.

As set out in the table above, save for work boat, dumb lighter, tug boat and excavator (50 tonne), our Group did not own the type and size of vessels and/or site equipment proposed to be acquired by utilising the net proceeds from the Share Offer as at the Latest Practicable Date. Further analysis has been conducted on the relevant cost and benefit analysis set out below.

Cost and benefit analysis on acquisition against chartering of vessels and leasing of site equipment

Our Directors consider that it is in the interests of our Group to acquire vessels and site equipment by utilising the net proceeds from the Share Offer instead of chartering vessels and/or leasing site equipment. A comparison of (i) the additional yearly expenses arising from the proposed acquisitions, representing (a) the depreciation charges based on straight-line method with 10 years of estimated useful lives for vessels and five years for site equipment; and (b) relevant estimated repair and maintenance, and other relevant costs for the vessels and the site equipment; and (ii) the yearly costs of chartering/leasing based on the number and type of vessels and site equipment to be acquired, are set out in the table below:

	Approximate yearly costs of ownership					
	Depreciation (A) *(Note 1)*	**Repair and maintenance (B)** *(Note 2)*	**Insurance and surveying and licensing and fees (C)**	**Salary of crew member (D)**	**Total (A+B+C+D)**	**Approximate yearly costs of chartering/ leasing** *(Note 3)*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Vessels	4,620	2,680	2,823	6,216	16,338	23,136
Site equipment	4,360	1,610	155	–	6,125	10,146

Notes:

1. Based on estimated useful lives of 10 years and five years for vessels and site equipment, respectively.

2. Based on the expenses incurred by our Group and/or estimation with reference to type, size and specification of vessel and site equipment to be acquired.

3. Based on the expenses incurred by our Group and/or quotations obtained from third parties.

Based on the analysis as set out in the table above, on a yearly basis, the approximate costs of chartering and leasing is greater than the approximate costs of ownership which include depreciation, repair and maintenance, and other relevant costs. On this basis, it is more economical for our Group to acquire rather than charter/lease the vessels and site equipment. In addition, our Group is of the view that owning vessels and site equipment would have the following benefits over chartering and leasing, including (i) higher operational flexibility; (ii) better management of vessels and site equipment; (iii) less reliance on external parties; (iv) mitigate risks of vessels/ site equipment being unavailable at the budgeted cost in a timely manner or at all; and (v) better project cost management.

Please find the expected payback period for the proposed expansion of the fleet of vessels as below:

	Years *(Note 1)*
Dumb lighter	3.8
Flat top barge *(Note 2)*	4.9
Passenger boat	3.3
Tug boat	4.1
Work boat	2.6

Notes:

(1) The expected payback period refers to the time it takes for the accumulated adjusted earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), attributable to the subject vessel to equal its acquisition costs from the time of the subject acquisition, and the EBITDA of each type of vessels is estimated based on, among others, the yearly revenue estimated to be derived by our Group at 100% utilisation rate of the subject vessels based on (i) its historical chartering rates during the Track Record Period, excluding historical chartering arrangements which may distort the expected payback period calculations, such as those chartering arrangements charged on hourly rates by our Group as they are on notably higher rates than those chartered on a monthly basis; less (ii) estimated associated costs, such as repair and maintenance costs, insurance, surveying, licensing and fees, and salary of crew members, where applicable. It should be noted the expected payback period is an estimate and the actual payback period of the vessels may differ subject to, among others, the actual utilisation rate and/or chartering rate and basis, where applicable.

(2) Given (i) our Group did not own a flat top barge during the Track Record Period; and (ii) the similar basic functionalities of a flat top barge and special purpose vessels owned by our Group in broad terms, the calculation of the expected payback period for the flat top barge has been based on special purpose vessel chartering arrangements of our Group during the Track Record Period.

- approximately HK$13.4 million (or approximately 14.2% of the net proceeds from the Share Offer) to recruit, subject to the then availability of the appropriate personnel at acceptable terms and the delivery of newly acquired vessels, 35 additional full-time staff overtime during the year ending 31 May 2021 and the first half of the year ending 31 May 2022 after the Listing, to operate, among others, the aforementioned additional vessels and site equipment to be acquired which include (i) vessel crew and other marine construction works staff; and (ii) site equipment operators:

Position	**Number**	**Preferred experience and qualifications**	**Estimated salary in aggregate** *(Approximate HK$'000)*	**As a percentage of net proceeds** *(%)*
Vessel crew and other marine construction works staff				
Coxswain	8	– Local Certificate of Competency – Coxswain (Grade 1) – over ten years of experience in marine works	2,610	2.8
Engine operator	8	– Local Certificate of Competency – Coxswain (Grade 2) – over ten years of experience in marine works	2,310	2.4
Technical support	1	– Certificate of Registration of Electrical Worker (Grade A) – over ten years of experience in marine works	666	0.7
Deck crew	10	– over five years of experience in marine works	3,783	4.0
Site equipment operator				
Excavator operator	8	– Certification of loadshifting machinery operators (Excavator) – over five years of related experience	4,074	4.3
Total	35		13,443	14.2

- with a view to further expand our Group's existing business through the admission as an approved contractor under Group B (Probation) port works category in the List of Approved Contractors for Public Works in October 2019 and extend into provision of general reclamation works such as DCM, approximately HK$4.2 million (or approximately 4.5% of the net proceeds from the Share Offer) shall be utilised for strengthening our manpower by recruiting, subject to the then availability of the appropriate personnel at acceptable terms, seven additional full-time staff during the year ending 31 May 2021 and the first quarter of the year ending 31 May 2022 after the Listing, including, one commercial director, two project managers, two supervising foremen, one safety officer, one supporting staff and the associated costs. The following table sets out the preferred qualifications, experience and salaries of the additional staff to be recruited with the net proceeds from the Share Offer:

Position	**Number**	**Preferred experience and qualifications**	**Estimated salary in aggregate**	**As a percentage of net proceeds**
			(Approximate HK$'000)	*(%)*
Commercial director	1	– University degree or equivalent academic background in related disciplines – Professional qualification in civil engineering or related disciplines – Around 10 years of experience in tendering and quantity surveying or related works	815	0.9
Project manager for reclamation and civil works	2	– University degree or equivalent academic background in related disciplines – Professional qualification in civil engineering or related disciplines – Minimum of five years of related civil engineering experience	1,430	1.5
Supervising foremen	2	– Over ten years of related on site experience	1,130	1.2
Safety officer	1	– Relevant professional qualification or academic background in related disciplines – Over five years of experience in safety related works – Registered safety officer under labour department	515	0.5
Supporting staff	1	– Over three years of experience in the relevant areas	335	0.4
Total	7		4,225	4.5

- approximately HK$8.0 million (or approximately 8.5% of the net proceeds from the Share Offer) for acquiring performance bonds and/or placing tender deposit for potential marine construction or other civil engineering works from new and/or existing customers during the year ending 31 May 2021 after the Listing; and

- approximately HK$4.9 million (or approximately 5.2% of the net proceeds from the Share Offer) for general working capital purposes of our Group.

In the event that the Offer Price is fixed at the high-end or the low-end compared to the mid-point of the Offer Price range, being HK$0.27 and HK$0.225 per Offer Share, the net proceeds of the Share Offer will increase or decrease by approximately HK$10.9 million, respectively, and the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

IMPLEMENTATION PLAN

The following table sets forth a summary of our implementation plan from the Listing Date up to and including 31 May 2021 and 2022:

	Use of proceeds *(HK$ million)* *(approximate)*	**Percentage of net proceeds** *(%)* *(approximate)*
● Expanding our fleet of vessels and site equipment	63.8	67.6
● Recruiting additional full-time staff to operate additional vessels and site equipment to be acquired	13.4	14.2
● Recruiting additional full-time staff with a view to further expand our Group's existing business through the admission as an approved contractor under Group B (Probation) port works category in the List of Approved Contractors for Public Works	4.2	4.5
● Acquiring performance bonds and/or placing tender deposit for potential marine construction or other civil engineering works from new and/or existing customers	8.0	8.5
● General working capital	4.9	5.2
Total	94.3	100.0

From the Listing Date to 31 May 2021

Business strategy	Implementation plan	Use of proceeds *(HK$ million)* *(approximate)*
Expanding our fleet of vessels and site equipment	● Acquiring one dumb lighter *(Note)*, two flat top barge, one passenger boat, two tug boats and one work boat *(Note)*	39.4
	● Acquiring three excavators (30 tonne), three excavator (50 tonne) and six hydraulic hammer	17.6
Recruiting additional full-time staff to operate additional vessels and site equipment to be acquired	● Recruiting six coxswains, six engine operators, one technical support, eight deck crew members and eight excavator operators	3.4
Recruiting additional full-time staff with a view to further expand our Group's existing business through the admission as an approved contractor under Group B (Probation) port works category in the List of Approved Contractors for Public Works	● Recruiting one commercial director, two project managers, two supervising foremen, one safety officer and one supporting staff	2.5
Acquiring performance bonds and/or placing tender deposit for potential marine construction or other civil engineering works from new and/or existing customers	● Obtaining performance bonds and/or placing tender deposit	8.0

From 1 June 2021 to 31 May 2022

Business strategy	Implementation plan	Use of proceeds *(HK$ million)* *(approximate)*
Expanding our fleet of vessels and site equipment	● Acquiring one dumb lighter *(Note)* and one work boat *(Note)*	6.8
Recruit additional full-time staff to operate additional vessels and site equipment to be acquired	● Recruiting eight coxswains, eight engine operators, one technical support, 10 deck crew members and eight excavator operators	10.0
Recruiting additional full-time staff with a view to further expand our Group's existing business through the admission as an approved contractor under Group B (Probation) port works category in the List of Approved Contractors for Public Works	● Recruiting one commercial director, two project managers, two supervising foremen, one safety officer and one supporting staff	1.7

Note: Estimated payment for the acquisition of dumb lighter and work boat will be divided into two installments. The first installment is expected to be during the year ending 31 May 2021 after the Listing and the second installment is expected to be during the first quarter of the year ending 31 May 2022 after the Listing.

REASONS FOR THE LISTING

As set out in the Ipsos Report, past project experience and proven track record are important assessment criteria in the tendering process for reclamation works. In view of the fact that there were relatively fewer sizeable projects prior to 2017 as evidenced by the relatively stable gross output value of the reclamation works, our Directors are of the view that it would be difficult for other local subcontractors to accumulate adequate work experience and job reference to compete with our Group, given that we were involved as a marine construction works subcontractor for five out of six contracts involving reclamation works for the 3RS. We were awarded with the works of the aforesaid five contracts involving reclamation works for the 3RS by five different reputable main contractors, including joint ventures and contractors which were part of a listed group, after competitive tender. During the Track Record Period, 10 subcontracts derived from the aforesaid five contracts have been completed.

These experiences together with our self-owned vessels and site equipment placed us in a unique position to grow and expand our market share to capture the new opportunities relating to both reclamation and non-reclamation marine construction works. Our Directors consider that while our Company has achieved satisfactory financial performance during the Track Record Period, mainly attributable to our track record and completed reclamation projects, our Group has also demonstrated its ability to expand our market share in the non-reclamation marine construction works industry in Hong Kong. Despite a notable decline of the gross output value of marine construction works in Hong Kong from 2019 to 2024 (after taking into consideration of the delay of the Lantau Upcoming Projects), the gross output value of the non-reclamation marine construction works industry in Hong Kong remains relatively stable throughout the same period (i.e. 2019 to 2024). In addition, Ipsos forecasted the gross output value of the marine construction works industry in Hong Kong would reach approximately HK$29.9 billion in 2027, compared to that of approximately HK$24.4 billion in 2019. For further details, please refer to the section headed "Industry Overview" in this prospectus. The Listing will provide us with funding required to expand our market share in view of the forthcoming projects. Without the funding from Listing, in particular, the portion intended to be applied towards the expansion of our fleet of vessels and site equipment and the recruitment of staff to operate these vessels and equipment, we will need to charter vessels and lease site equipment from suppliers to fulfil such needs. Hence, we will be subject to uncertainties arising from the availability of vessels, and site equipment to be chartered/leased at acceptable terms and in a timely manner, and such would restrict our capability to take up new sizeable projects and limit our flexibilities to manage unexpected circumstances beyond our control. This may also result in prolonged delay in the subject project(s) and with limited accessible resources, in terms of vessels, site equipment and/or manpower, such may lead to knock-on adverse effects to our other projects.

By reason of the facts and matters as set out in the preceding paragraphs, our Directors consider that this is the appropriate time to apply for Listing to (i) obtain additional funding to support the growth of our business to capture the new opportunities, in particular, in the reclamation works industry; and (ii) provide a fund-raising platform for our Group going forward to expand our capacities into other general reclamation works such as DCM works in the longer term. To achieve the objective of business growth, we plan to utilise part of our proceed to acquire new vessels and site equipment, and strengthen our manpower to enable us to continue our work as subcontractor. In addition, we shall also pursue suitable works as a main contractor as we have been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works, which enables our Group to tender for public works contract for port works of up to HK$300 million, thereby allowing us to further our business development, and strengthen our position in the marine construction works industry in Hong Kong.

Ongoing demand for our principal businesses

Although a majority of our projects completed during the Track Record Period were related to the 3RS project, our Directors considered that our Group's business as a whole will be sustainable after the completion of the 3RS project, having considered the following factors and our track record in the aforementioned disclosure:

(i) as at the Latest Practicable Date, the outstanding aggregate contract value to be recognised by our Group amounted to approximately HK$303.8 million, of which approximately HK$165.2 million, HK$120.4 million and HK$18.1 million were attributable to marine construction works, other civil engineering works and vessel chartering arrangements, respectively. Based on information available and barring unforeseen circumstances, the expected completion of the aforesaid secured contract works and vessel chartering arrangements ranged from November 2020 to May 2022; and

(ii) the estimated tender sum for tenders/quotations for marine construction or other civil engineering projects, submitted but pending results, and received invitation to tender and to be submitted by us, amounted to approximately HK$693.7 million as at the Latest Practicable Date, approximately HK$543.7 million of which were attributable to 10 tenders/quotations submitted but pending results and the remaining approximately HK$150.0 million of which were attributable to three invitations to tender/quotations/ open tenders for marine construction works or other civil engineering works, of which the Group shall submitted tender/ quotation response to invitation received. Expected tender results for the aforesaid tenders/quotations ranged from fourth quarter of 2020 to second quarter of 2021 and the expected project time frame ranged from 4 months to 60 months. As evidenced by the above, even though we have already secured substantial contract works on hand with outstanding aggregate contract value to be recognised by our Group amounted to approximately HK$303.8 million as at the Latest Practicable Date, of which approximately HK$173.7 million and HK$130.1 million were to be recognised, subject to the progress of the respective projects, for the remaining period of the years ending 31 May 2021 and 2022, respectively, our Group is already in the process of competing for and securing additional contract works for 2021 and 2022. For details, please refer to the paragraph headed "Future plans and use of proceeds – Our potential projects subsequent to the Track Record Period" in the prospectus.

The following tables set forth particulars of (i) tenders/quotations/open tenders submitted which are pending results, as at the Latest Practicable Date; and (ii) tenders/quotations/open tenders to be submitted in response to invitation received as at the Latest Practicable Date:

Tenders/quotations submitted but pending results

	Customer	**New/ existing customer**	**Type of works and work scope**	**Expected date for results** *(Note 1)*	**Expected project time frame** *(Note 2)* *(Months)*	**Estimated initial contract sum** *(HK$'million)*
1	A subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in construction works	New	Marine construction works – reclamation works and other civil engineering works – site formation works in relation to water treatment and ancillary facilities in New Territories	4th quarter 2020	60	92.8
2	LT Sambo Co., Ltd	Existing	Marine construction works – marine piling works in relation to the 3RS project	4th quarter 2020 *(Note 3)*	16	15.2
3	Customer C	Existing	Other civil engineering works – Box culvert and noise barrier footing	4th quarter 2020	24	16.8
4	Huayuan Group	Existing	Other civil engineering works – aviation fuel hydrant system	4th quarter 2020	44	40.0
5	Customer C	Existing	Other civil engineering works – site formation and infrastructure works	4th quarter 2020	18	30.7
6	A company incorporated in Hong Kong principally engaged in marine construction activities, waterworks and provision of maintenance and construction works of civil engineering contracts	New	Marine construction works and other civil engineering works – foundation and ELS works	4th quarter 2020	20	96.8
7	A construction contractor in Hong Kong which is principally engaged in foundation works in Hong Kong, being a subsidiary of a company whose shares are listed on the Main Board.	New	Marine construction works and other civil engineering works – site formation, ELS and foundation works for proposed redevelopment in Lamma Island	4th quarter 2020	18	97.2
8	A department of the Government providing services including provision of land and infrastructure, port and marine services, geotechnical services, and environment and sustainability services in Hong Kong	New	Marine construction works – management of sediment disposal facility *(Note 4)*	4th quarter 2020	60	63.2

	Customer	New/ existing customer	Type of works and work scope	Expected date for results *(Note 1)*	Expected project time frame *(Note 2)* *(Months)*	Estimated initial contract sum *(HK$'million)*
9	A department of the Government providing services including provision of land and infrastructure, port and marine services, geotechnical services, and environment and sustainability services in Hong Kong	New	Marine construction works – construction of a public land facility at Lei Yue Mun *(Note 4)*	4th quarter 2020	24	88.1
10	A subsidiary of a company listed on the Main Board of the Stock Exchange which is principally engaged in construction works	New	Marine construction works – Submarine outfall, diffuser and emergency overflow pipe	2nd quarter 2021	4	2.9
					Sub-total:	543.7

Notes:

1. The expected date of tender/quotation results is based on our management's estimates according to information available at the relevant time, which may change subject to, among others, customer's internal procedures, actual project schedule and/or progress, and other external factors.

2. The expected project timeframe is based on our management's estimates according to information available at the relevant time, which may change subject to, among others, customer's internal procedures, actual project schedule and/or progress, and other external factors.

3. Further information has been requested by the potential customer in January 2020.

4. Our Group has tendered for acting as a main contractor.

Tenders/quotations to be submitted in response to invitation received

	Customer	New/ existing customer	Type of works and work scope	Expected tender/ quotation submission date *(Note 1)*	Expected commence date *(Note 1)*	Expected project time frame *(Note 1)*	Estimated initial contract sum *(Note 2)*
						(Months)	*(HK$'million)*
1	A joint venture formed by (i) a subsidiary of a PRC-based company which is principally engaged in infrastructure construction, infrastructure design, dredging and is dually-listed on the Main Board and the Shanghai Stock Exchange; (ii) a geotechnical contractor in the field of underground engineering in Hong Kong; and (iii) LT Sambo Co., Ltd.	New	Marine construction works and other civil engineering works – foundation substructure works	4th quarter 2020	1st quarter 2021	24	120.0
2	A statutory body and corporate established under the Airport Authority Ordinance (Chapter 483 of the Laws of Hong Kong)	New	Marine construction works – port works *(Note 3)*	4th quarter 2020	1st quarter 2021	22	10.0
3	An organisation designated by the Government to provide the high performance training system for eligible sports	New	Marine construction works – Rowing boat launching facilities along Shing Mun River *(Note 4)*	4th quarter 2020	1st half 2021	12	20.0
						Sub-total:	150.0

Notes:

(1) Based on our management's estimates according to tender/submission deadline.

(2) Based on the information available to our Directors as at the relevant time, and may subject to change from time to time as we finalise the subject tender/quotation.

(3) An invitation of re-tender of a project due to work scope amended by the potential customer, the original tender previously submitted by us was for a main contractor role.

(4) Our Group plans to tender for acting as a main contractor.

Typically, the works of relevant projects will be commenced three to four months after the tender results.

(iii) our Group has been admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019. Such status enables our Group to tender for (a) any number of Group A contracts in the same category; and (b) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that it already holds and the Group B contract being procured under the same category does not exceed HK$300 million, thereby allowing us to further expand our marine construction works segment. According to the 2019 Quarter 3 to 2020 Quarter 2 Forecast of Works Tenders published by the Development Bureau in July 2019, after our Group being admitted as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works in October 2019, our Group is qualified to tender for projects including but not limited to management of sediment disposal facility and construction of a public land facility at Lei Yue Mun. with an estimated aggregate cost of up to approximately HK$151.3 million. The Forecast of Works Tenders is updated periodically in January, April, July and October of each year;

(iv) according to the Ipsos Report, the estimated gross output value of the marine construction works industry in Hong Kong is expected to be approximately HK$25.3 billion in 2020, of which approximately 32.8% was estimated to be marine construction works for the 3RS reclamation project and the remaining 67.2% was estimated to be marine construction works for non-3RS project. The gross output value of marine construction works is estimated to decrease to approximately HK$9.3 billion in 2023 and rebound to approximately HK$29.9 billion in 2027. From 2022 onwards, all of the marine construction works are expected to be generated from non-3RS projects. Hence, our Group is expected to continue our expansion of marine construction works into non-3RS projects. As at the Latest Practicable Date, our ongoing projects, which are non-3RS projects, included 8 marine construction projects and other civil engineering projects;

In accordance with the Ipsos Report, the gross output value of the reclamation works in 2023 is expected to be primarily from major reclamation projects, including, the Tung Chung New Town project, and the reclamation works under the Integrated Waste Management Facilities Phase 1. The Ipsos Report also sets out that based on information available as at the Latest Practicable Date and barring unforeseen circumstances, (a) the Tung Chung New Town project is ongoing and the relevant reclamation works are expected to be completed in 2023; (b) the technical feasibility study have commenced in July 2015 for the Siu Ho Wan project and the relevant funding from the Legislative Council of Hong Kong is expected to be in or around 2020; (c) the technical feasibility study have commenced in October 2015 for the Lung Kwu Tan project and the relevant funding from the Legislative Council of Hong Kong is expected to be in or around 2020; and (d) the technical feasibility study have commenced for the Sunny Bay project and consulted the Panel on Development in 2017, pending for seeking support from the Public Works Subcommittee.

In addition to the aforesaid major reclamation projects, according to the Ipsos Report, the following marine construction projects are already in progress and would not be subject to the funding approval by Legislative Council of Hong Kong, namely, (a) dredging of the sea-bed of the Kwai Tsing Container Basin with an estimated project size of approximately HK$0.4 billion; (b) Kai Tak development – infrastructure for developments at the former runway and south apron with an estimated project size of approximately HK$1.5 billion; (c) Cross Bay Link, Tsueng Kwun O with an estimated project size of approximately HK$5.6 billion; and (d) Central Kowloon Route – Kai Tak West with an estimated project size of approximately HK$6.2 billion. Based on the Ipsos Report, the size of the aforesaid ongoing projects amounted to approximately HK$13.7 billion.

For further details, please refer to paragraph headed "Industry Overview – Overview of the marine construction works industry in Hong Kong" and "Industry Overview – Overview of the reclamation works industry in Hong Kong" in this prospectus;

(v) according to the Ipsos Report, our revenue from reclamation works only accounted for approximately 0.5% of the estimated gross output value of the reclamation works industry in Hong Kong in 2019, and our revenue from marine construction works for the year ended 31 May 2019 only accounted for approximately 0.7% of the total market share of the marine construction work industry in Hong Kong for 2019 in terms of revenue and given our track record and past experience, our Directors considered that our Group is well positioned to increase our market share in these industries over time;

(vi) the ongoing demand for vessel chartering services in Hong Kong with an estimated gross output value of approximately HK$4.2 billion to HK$4.6 billion from 2019 to 2026. Such ongoing demand, which shall be driven by, among other major civil engineering projects, such as Trunk Road T2, Kai Tak Development stage 4 and 5 and construction of Cross Bay Link in Tseung Kwan O, present opportunities for our Group to continue to expand its vessel chartering business; and

(vii) it is one of our business strategies to continue competing for other civil engineering projects. The ongoing demand for civil engineering works in Hong Kong is expected to grow in the foreseeable future, from an estimated gross output value of approximately HK$52.9 billion in 2020 to HK$62.9 billion in 2024, according to Ipsos Report, which will provide an opportunity for our Group to expand by utilising our previous experience and leveraging on our proven track record. Our Directors consider that we have established good working relationship with major contractors currently working in the 3RS-related projects and have successfully completed works to the satisfaction of these major contractors and their employer, being the Airport Authority. As these major contractors are also engaged in other civil engineering works in Hong Kong, with one of such contractors being a major player in the civil engineering works industry, our Directors believe that our past job reference will be considered in future tendering/quotation process and our Group will be well positioned to pursue other civil engineering works under the 3RS projects as well as other major civil engineering works in Hong Kong in the future.

Having considered the above, in particular, (i) our project backlog as at the Latest Practicable Date; (ii) the tenders submitted by us which are pending results and tenders to be submitted by us in response to tender invitations, which demonstrates the ongoing demand of our services; (iii) our Group is qualified to tender for additional projects after the admission as an approved contractor under Group B (Probation) of the port works category in the List of Approved Contractors for Public Works; and (iv) temporary sizeable fluctuations in the gross output value of reclamation marine construction works industry is industry norm that may temporarily affect our Group's financial performance but does not have permanent material adverse effects on the long-term business sustainability of our Group as our Group's business can sustain on non-reclamation marine construction works and further supported by other existing revenue streams of our Group. As demonstrated through qualitative and quantitative analysis above, we considered that our Group will have no business sustainability issue in the foreseeable future.

In addition, our Directors believe that the Listing will facilitate the implementation of our strategies and will further strengthen our market position and market share in the marine construction works industry in Hong Kong for the reasons below.

Enhance our corporate profile, brand awareness and competitiveness among business stakeholders to capture potential business opportunities

As some of our top five customers during the Track Record Period are either listed in Hong Kong or overseas, or is a member of a listed group, our Directors believe that the Listing will enhance our corporate profile and brand awareness as well as help our Group to attain a status similar to that of our aforementioned major customers. The Listing will also act as a reference to our past successful track records.

On this basis, our Directors consider that the Listing enhances our competitiveness among competitors. Customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. Our Directors believe that we will be able to maintain our competitiveness and differentiate ourselves from other competitors which are private companies during the tendering process, thus enhancing our success rate in securing sizeable projects.

Our Directors also believe that the public access to our Group's corporate and financial information will increase the confidence of our suppliers and subcontractors on our Group, which in turn will improve our Group's creditability with our suppliers and subcontractors.

Provide a fund-raising platform for our Group

The Listing provides a fund-raising platform to our Company to expand into, among others, new reclamation business areas. According to the Ipsos Report, our Company was one of the very few Hong Kong based subcontractor who had participated in the first DCM trial work ever carried out in Hong Kong in 2012 and more recently, providing supporting services to DCM works currently being carried out as part of the 3RS project. However, even equipped with the technical knowledge, we have not been able to compete for a larger share of the available marine construction works industry. The Listing will provide our Company with the opportunity to gain access to the capital market for additional financing to support further venture into, among others, this new reclamation business area.

Despite the fact that our Group was able to sustain our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, the Listing would provide our Group with the option of equity financing, as and when required post Listing, in particular, to cope with the funding need for further business development and/or technical development of marine construction works of our Group as set out above, and such would ease our cash flow as compared to debt financing from bank or financial institutions, given, in general debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders as security, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity. On the other hand, our Directors consider that as a group of private companies, it would be difficult for our Group, without a listing status, to obtain significant additional bank borrowings at a competitive rate with our existing financial position without guarantees provided by our Controlling Shareholders.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in interest-bearing deposits with licensed banks and authorised financial institutions.

PUBLIC OFFER UNDERWRITERS

Zhong Jia Securities Limited
Sinomax Securities Limited
Aristo Securities Limited
ChaoShang Securities Limited
Get Nice Securities Limited
Head & Shoulders Securities Limited
Livermore Holdings Limited
Red Eagle Securities Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set forth in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and any shares which may be issued as mentioned in this prospectus by the Listing Committee and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) have the right, in their sole and absolute discretion and after consultation with the Sole Sponsor, to terminate the Public Offer Underwriting Agreement with immediate effect by giving notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if prior to the Termination Time:

(a) there has come to the notice of the Joint Bookrunners (for themselves and on behalf of the Underwriters):

(i) any matter or event showing any of the representations, warranties, agreement and undertakings contained in the Public Offer Underwriting Agreement (the "**Representations**") to be untrue, inaccurate, incomplete or misleading in any material respect when given or repeated or there has been a breach of any of the Representations or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters) which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or

(ii) any statement contained in this prospectus and the Application Forms, the application proof of this prospectus, the post hearing information pack and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) (the "**Public Offer Related Documents**") was, which it was issued, or has become or been discovered to be untrue, incorrect, inaccurate in any material respect or misleading or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Public Offer Related Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting, which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or

(iii) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being an event, matter or circumstance which, if it had occurred or arisen before the date of the Public Offer Underwriting Agreement, would have rendered any of the warranties untrue, incorrect, inaccurate or misleading in any material aspect which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, a material omission in the context of the Share Offer; or

(v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and the Controlling Shareholders pursuant to the indemnities given by any of them under the Public Offer Underwriting Agreement; or

(vi) any material breach, which is material and adverse in the context of the Share Offer, by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or

(vii) any of the experts specified under the paragraph headed ″E. Other Information - 8. Consents of experts″ in Appendix IV to this prospectus (other than the Sole Sponsor) with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, this prospectus; or

(viii) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(ix) that our Company withdraws this prospectus and/or any other document issued or used in connection with the Share Offer; or

(x) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares pursuant to the terms of the Share Offer; or

(xi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or trading or otherwise, or performance of our Group, taken as a whole (the "**Material Adverse Change**"); or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following (in each case, in the opinion of the Joint Bookrunners and the Sole Sponsor, will have material adverse impact on the Group as a whole as in the context of the Share Offer):

(i) any material change or development arisen from any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to any member of our Group or its business operation (the "**Relevant Jurisdictions**"); or

(ii) material change in, or any event or series of events or development resulting or likely to result in any change in the local, regional, national or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects or currency matters or conditions or exchange control or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or material and irreversible devaluation of Hong Kong dollar against the U.S. dollar) in or affecting any of the Relevant Jurisdictions; or

(iii) any material adverse change in the equity securities and financial market conditions in Hong Kong; or

(iv) the imposition of any moratorium, suspension or restriction in or on trading in securities generally on the Hong Kong markets operated by the Stock Exchange due to exceptional financial circumstances; or

(v) any material change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control in Hong Kong); or

(vi) any material adverse change in the business or in the financial or trading position or prospects of our Group as a whole; or

(vii) a general moratorium on commercial banking activities in or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(viii) save for any ongoing events known to the Sole Sponsor and the Joint Bookrunners at the date of the Public Offer Underwriting Agreement including COVID-19 and sanctions imposed by the relevant authorities of the U.S., event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, calamity, economic sanction, strike, labour dispute, crisis, public disorder, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9), or such related/mutated forms), pandemic, outbreak of infectious disease, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, explosion, volcanic eruption, civil commotion, riot, public disorder, escalation of hostilities (whether or not war has been declared), tsunami, fire or lock-out, save for any economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions on any member of our Group; or

(ix) the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis in or affecting any Relevant Jurisdictions; or

(x) the issue or requirement to issue by our Company of any supplement or amendment to either this prospectus or the Application Form (or to any other offer document in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Sole Sponsor and the Joint Bookrunners (which consent not to be unreasonably withheld or delayed); or

(xi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition (to which the petition is not settled or struck out within 14 Business Days from the day of receipt of such petition) 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 a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything equivalent thereto occurs in respect of any member of our Group; or

(xii) any material contravention by any member of our Group or any of our Director of the Listing Rules, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the Articles of Association or the SFO or other applicable laws; or

(xiii) a legally valid and enforceable prohibition by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or

(xiv) save as disclosed in this prospectus, any material non-compliance of this prospectus (or any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Companies Ordinance or the Articles of Association or the SFO or other applicable laws; or

(xv) any material litigation or other legal or regulatory proceeding against (i) any member of our Group; (ii) any of the Controlling Shareholders; or (iii) any executive Director, which cannot be struck out within 14 Business Days from the day of knowledge of such litigation or proceeding; or

(xvi) any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any of our executive Director or any of the Controlling Shareholders, which are relevant in the context of the Share Offer; or

(xvii) the chairman or chief executive officer of our Company or any of our executive Director vacating his or her office; or

(xviii) any of our executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(a) has or will or is reasonably likely have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group as a whole; or

(b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer; or

(c) has or will or is reasonably likely to have the effect of (i) making material part of the Public Offer Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

For the above purpose:

(i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Hong Kong currency against U.S. currency shall be taken as an event resulting in a change in currency conditions; and

(ii) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that,

(a) without the prior written consent of the Sole Sponsor and the Joint Bookrunners and unless in compliance with the requirements of the Listing Rules, except for the issue of Shares under the Share Offer, the issue of Shares pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, or the issue of Shares upon exercise of any options under the Share Option Scheme or as otherwise permitted under the Listing Rules, neither our Company nor any of its subsidiaries from time to time shall at any time during the period of six months commencing on the Listing Date (the "**First Six-month Period**"),

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company, as applicable; 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 any shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction described in (i), (ii) or (iii) above, in each case, whether any of the transactions described in (i), (ii) or (iii) is to be settled by delivery of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period);

(b) our Company will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"); and

(c) in the event that, during Second Six-month Period, our Company enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that 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 in trust for him/it shall not:

(a) without the prior written consent of the Sole Sponsor and the Joint Bookrunners and unless otherwise in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period,

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares in respect of which he/it is shown in this prospectus to be directly or indirectly interested (the "**Relevant Securities");**

(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 the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise;

(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 (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in (i), (ii) or (iii) above;

(b) without the prior written consent of the Stock Exchange, at any time during the Second Six-month Period, enter into any of the foregoing transactions in sub-paragraphs (a)(i), (ii) or (iii) above if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or cease to be regarded as, controlling shareholders (as defined in the Listing Rules) of our Company; and

In the event that, during Second Six-month Period, any of the Controlling Shareholders enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders jointly and severally has further undertaken to each of the Company, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that at any time during the first twelve months from the Listing Date:

(a) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, he/it shall immediately inform our Company, the Sole Sponsor, the Joint Bookrunners in writing of such pledges or charges together with the number of securities of our Company and the nature of interest so pledged or charged; and

(b) when he/it receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners in writing of such indication.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have further undertaken to our Company and the Stock Exchange that he or it will, within the period of 12 months from the Listing Date, immediately inform our Company of:

(a) pledges or charges of any Shares or other securities of our Company beneficially owned by him/it in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or it or the relevant registered holders receive indication, either verbal or written, from any pledgee or chargee of any of the pledged or charges Shares or other securities of our Company pledged or charged that any of such securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of any options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for or purchase, the 500,400,000 Placing Shares initially 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, among other things, 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 the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Underwriting – Public Offer underwriting arrangements, commissions and expenses – Public Offer – Lock-up undertakings pursuant to the Public Offer Underwriting Agreement" in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 13.0% on the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer, out of which they will pay all sub-underwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). It is expected that the Placing Underwriters will receive an underwriting commission of 13.0% of the aggregate Offer Price in respect of all the Placing Shares, out of which the Placing Underwriters will pay all sub-underwriting commission, if any.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation fee. The Joint Bookrunners and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Underwriting – Public Offering underwriting arrangements, commission and expenses – Commission and expenses" in this section.

Our Company has appointed Red Sun as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of financial results of our Group for the first full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE STRUCTURE OF THE SHARE OFFER

An aggregate of 55,600,000 Shares have been initially allocated to the Public Offer for subscription in Hong Kong at the Offer Price under the Public Offer (subject to reallocation on the basis described in the paragraph headed "Structure and Conditions of the Share Offer – Reallocation between the Placing and the Public Offer" in this section) outside the United States (including to professional institutional investors within Hong Kong) in offshore transactions in reliance on applicable securities laws and regulations of the United States of America. An aggregate of 500,400,000 Shares are initially offered under the Placing for subscription, subject to reallocation as mentioned below and under the Listing Rules.

Investors are free to select to apply for the Public Offer Shares or the Placing Shares, but not both. Our Directors and the Joint Bookrunners will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

PRICING

The Offer Price will be not more than HK$0.27 per Offer Share and is expected to be not less than HK$0.225 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as 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 upon application for the Public Offer Shares

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK$0.27 plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$2,727.21 for each board lot of 10,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, without interest. Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "bookbuilding", is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 27 November 2020 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree and in any event no later than Monday, 30 November 2020.

The Offer Price shall be fixed on the Price Determination Date by agreement among our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) in Hong Kong dollars after the market demand for the Offer Shares has been determined.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares will be conditional upon the satisfaction of all of the following conditions:

(i) the Listing Committee granting the listing of, and permission to deal in, on the Stock Exchange, our Shares in issue, any Shares to be issued pursuant to the Capitalisation Issue and the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution of the Placing Underwriting Agreement on or around the Price Determination Date; and

(ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms and conditions 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 the 30th day after the date of this prospectus.

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 any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will not proceed and will be caused to be published by our Company on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.yuekanholdings.com*** the next day following such lapse. In such event, all application money will be refunded, without interest. The terms on which the application money will be refunded are set forth under the paragraph headed "How to Apply for Public Offer Shares – 12. Refund of application monies" in this prospectus. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

We expect to issue share certificates for the Offer Shares on Friday, 4 December 2020. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 am. on Monday, 7 December 2020 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Underwriting – Underwriting arrangements, commissions and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Our Company is initially offering 55,600,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being initially offered under the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the reallocation as mentioned below and under the Listing Rules. The Public Offer is managed by the Joint Bookrunners and is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK$0.27 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participate in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under the paragraph headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this section.

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools (subject to adjustment for odd lot size) for allocation purposes as follows:

(i) Pool A: Pool A will comprise 50% of the then available Public Offer Shares, which 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; and

(ii) Pool B: Pool B will comprise 50% of the then available Public Offer Shares, which 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.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. 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 or suspected multiple applications under the Public Offer and any application for more than 27,800,000 Public Offer Shares will 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 that he and any person(s) for whose benefit he 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).

If the Public Offer is not fully subscribed for, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the reallocation as mentioned below.

THE PLACING

Our Company is initially offering 500,400,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to reallocation as mentioned below and under the Listing Rules. The Placing is fully underwritten by the Placing Underwriters on a several basis upon and subject to the terms and conditions of the Placing Underwriting Agreement.

Investors subscribing for the Placing Shares are also required to pay brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a broad Shareholder base for the benefit of our Company and the Shareholders as a whole.

In addition, our Company and the Joint Bookrunners will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. The Placing is subject to the Public Offer being unconditional.

The total number of the Placing Shares to be allotted and issued may change as a result of reallocation mentioned below, any reallocation of the unsubscribed Public Offer Shares to the Placing as mentioned under the paragraph headed "Structure and Conditions of the Share Offer – The Public Offer" in this section.

REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

(a) if both the Public Offer Shares and the Placing Shares are undersubscribed, the Share Offer shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;

(b) if the Public Offer Shares are undersubscribed and the Placing Shares are fully subscribed or oversubscribed, the Joint Bookrunners will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;

(c) if the Placing Shares are fully subscribed or oversubscribed, and:

(i) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then 111,200,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will increase to 166,800,000 Shares, representing 30% of the total number of the Offer Shares available for subscription under the Share Offer;

(ii) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then 166,800,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will increase to 222,400,000 Shares, representing 40% of total number of the Offer Shares available for subscription under the Share Offer; and

(iii) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then 222,400,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will increase to 278,000,000 Shares, representing 50% of the total number of the Offer Shares available for subscription under the Share Offer,

in each case the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Bookrunners deems appropriate; and

(d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:

(i) if the Placing Shares are undersubscribed under the Placing and the Public Offer Shares are oversubscribed (irrespective of the number of times of the initial number of the Public Offer Shares validly applied for under the Public Offer in such circumstances); or

(ii) if the Placing Shares are fully subscribed or oversubscribed, and if the Public Offer Shares are oversubscribed but the number of Shares validly applied for under the Public Offer represents less than 15 times of the initial number of the Public Offer Shares,

then, provided that the Offer Price is fixed at the low-end of the indicative Offer Price range, i.e., HK$0.225 per Offer Share, in accordance with the Stock Exchange's Guidance Letter HKEX-GL91-18, up to 55,600,000 Offer Shares may be reallocated to satisfy valid applications in Pool A and Pool B under the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase up to 111,200,000 Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Friday, 4 December 2020.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 7 December 2020. Shares will be traded in board lots of 10,000 Shares and are fully transferable. The stock code for the Shares is 2110.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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 Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States of America, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners 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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 23 November 2020 until 12:00 noon on Friday, 27 November 2020 from:

(i) any of the following offices of the Underwriters:

Zhong Jia Securities Limited	Unit D – F, 15/F, Neich Tower 128 Gloucester Road Wan Chai, Hong Kong
Sinomax Securities Limited	Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway Hong Kong

Aristo Securities Limited	Room 101, 1/F On Hong Commercial Building 145 Hennessy Road Wanchai, Hong Kong
ChaoShang Securities Limited	Rooms 2206-2210, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Get Nice Securities Limited	10/F, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
Head & Shoulders Securities Limited	28-29/F, Queen's Road Centre 152 Queen's Road Central Hong Kong
Livermore Holdings Limited	Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon, Hong Kong
Red Eagle Securities Limited	Unit 1107, 11/F, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong

(ii) any of the following branches of DBS BANK (HONG KONG) LIMITED:

District	Branch name	Branch address
Hong Kong	Head Office	G/F, The Center, 99 Queen's Road Central, Central
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 23 November 2020 until 12:00 noon on Friday, 27 November 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**TING HONG NOMINEES LIMITED – YUE KAN HOLDINGS LIMITED 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:

Monday, 23 November 2020 – 9:00 a.m. to 5:00 p.m.
Tuesday, 24 November 2020 – 9:00 a.m. to 5:00 p.m.
Wednesday, 25 November 2020 – 9:00 a.m. to 5:00 p.m.
Thursday, 26 November 2020 – 9:00 a.m. to 5:00 p.m.
Friday, 27 November 2020 – 9:00 a.m. to 12:00 noon

To safeguard the health and safety of its employees and customers in light of the rapidly changing novel coronavirus situation in Hong Kong, the receiving bank referred to above may adjust its branch services (including branch operation hours) from time to time. For the latest arrangement on branch services, please refer to the DBS website at https://www.dbs.com.hk/personal/default.page.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 27 November 2020, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, amongst other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (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 Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and/or their respective directors, officers, employees, partners, agents, representatives, advisers, affiliates and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters and/or their respective directors, officers, employees, partners, agents, representatives, advisers and affiliates any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective directors, officers, employees, partners, agents, representatives, advisers and affiliates will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "How to apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies – Personal collection" in the Prospectus 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 and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (***https://ip.ccass.com***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Bookrunners 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 our Company 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 Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Memorandum and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, 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 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(*Note*)

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, 23 November 2020	**–**	**9:00 a.m. to 8:30 p.m.**
Tuesday, 24 November 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 25 November 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Thursday, 26 November 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Friday, 27 November 2020	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 23 November 2020 until 12:00 noon on Friday, 27 November 2020 (24 hours daily, except on Friday, 27 November 2020, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 27 November 2020, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section.

Note: These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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 Sole Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, any of 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 Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and any of 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** 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, 27 November 2020.

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** 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;
- 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** and **YELLOW** Application Forms have tables showing the exact amount payable for application for certain numbers of 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** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 November 2020. Instead they will open between 9:00 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 27 November 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal 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 expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 4 December 2020 on our Company's website at ***www.yuekanholdings.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.yuekanholdings.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 9:00 a.m. on Friday, 4 December 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 Friday, 4 December 2020 to 12:00 midnight on Thursday, 10 December 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 4 December 2020 to Wednesday, 9 December 2020 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 4 December 2020 to Tuesday, 8 December 2020 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do so 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 PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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 suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer 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 Bookrunners believe 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 27,800,000 Shares.

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$0.27 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer set out in the paragraph headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, 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 Friday, 4 December 2020.

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** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, 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 Friday, 4 December 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 Monday, 7 December 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 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 Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 4 December 2020 or such other date as notified by our Company on our Company's website at ***www.yuekanholdings.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

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 the 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 Friday, 4 December 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 the collection of your refund cheques. 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 Friday, 4 December 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 Friday, 4 December 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 4 December 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply 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 Friday, 4 December 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" in this section on Friday, 4 December 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 4 December 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 Friday, 4 December 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 Friday, 4 December 2020.

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 advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-61, received from our Company's reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Crowe

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUE KAN HOLDINGS LIMITED AND RED SUN CAPITAL LIMITED

Introduction

We report on the historical financial information of Yue Kan Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-61, which comprises the consolidated statements of financial position of the Group as at 31 May 2017, 2018, 2019 and 2020, the statements of financial position of the Company as at 31 May 2018, 2019 and 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 May 2017, 2018, 2019 and 2020 (the "**Relevant Periods**"), 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-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 23 (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 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 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the 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 have 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 1 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 consolidated financial position as at 31 May 2017, 2018, 2019 and 2020 and the Company's financial position as at 31 May 2018, 2019, and 2020 and of the Group's consolidated financial performance and consolidated cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 10 to the Historical Financial Information which contains information about the dividend declared by the Company in respect of the Relevant Periods.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 November 2020

Yau Hok Hung
Practising Certificate Number P04911

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Crowe (HK) CPA 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.

1. Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 May **2017** *HK$'000*	 **2018** *HK$'000*	 **2019** *HK$'000*	 **2020** *HK$'000*
Revenue	*4(a)*	216,062	269,630	297,302	313,650
Direct costs		(187,616)	(226,902)	(244,465)	(262,616)
Gross profit		28,446	42,728	52,837	51,034
Other income	*5*	1,120	808	193	323
General and administrative expenses		(3,289)	(4,211)	(7,347)	(8,948)
Listing expenses		–	–	(9,480)	(7,210)
Profit from operations		26,277	39,325	36,203	35,199
Finance costs	*6(a)*	–	–	(80)	(329)
Profit before taxation	*6*	26,277	39,325	36,123	34,870
Income tax	*7*	(3,937)	(6,337)	(7,371)	(6,757)
Profit and total comprehensive income for the year		22,340	32,988	28,752	28,113
Earnings per share Basic and Diluted *(HK cents)*	*11*	N/A	N/A	N/A	N/A

The accompanying notes form part of this Historical Financial Information.

2. Consolidated statements of financial position

	Note	At 31 May 2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000
Non-current assets					
Property, plant and equipment	*12*	13,689	23,055	41,063	49,051
Deposits for acquisition of property, plant and equipment		9,197	–	–	–
Total non-current assets		22,886	23,055	41,063	49,051
Current assets					
Contract costs	*13*	–	3,425	4,100	1,706
Contract assets	*14(a)*	10,390	20,284	32,833	37,558
Trade and other receivables	*15*	18,195	53,881	37,267	33,013
Cash and cash equivalents	*16*	2,626	17,930	25,042	31,013
		31,211	95,520	99,242	103,290
Current liabilities					
Trade and other payables	*17*	(20,649)	(53,942)	(35,411)	(33,941)
Contract liabilities	*14(b)*	(9,194)	(1,054)	–	–
Bank loan	*18*	–	–	(7,750)	(6,732)
Lease liabilities	*19*	–	–	–	(531)
Current taxation	*20(a)*	(2,547)	(7,995)	(10,676)	(5,940)
		(32,390)	(62,991)	(53,837)	(47,144)
Net current (liabilities)/ assets		(1,179)	32,529	45,405	56,146
Total assets less current liabilities		21,707	55,584	86,468	105,197
Non-current liabilities					
Deferred tax liabilities	*20(b)*	(1,410)	(2,299)	(4,431)	(5,047)
		(1,410)	(2,299)	(4,431)	(5,047)
NET ASSETS		20,297	53,285	82,037	100,150
CAPITAL AND RESERVES	*21*				
Share capital		–*	–*	–*	–*
Reserves		20,297	53,285	82,037	100,150
TOTAL EQUITY		20,297	53,285	82,037	100,150

* The balance represents an amount less than HK$1,000.

The accompanying notes form part of this Historical Financial Information.

3. Consolidated statements of changes in equity

	Share capital *HK$'000*	Merger reserve (see note below) *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total equity *HK$'000*
Balance at 1 June 2016	–*	–	(2,043)	(2,043)
Changes in equity for 2016/17				
Profit and total comprehensive income for the year	–	–	22,340	22,340
Balance at 31 May 2017	–*	–	20,297	20,297
Balance at 1 June 2017	–*	–	20,297	20,297
Changes in equity for 2017/18				
Profit and total comprehensive income for the year	–	–	32,988	32,988
Issuance of one ordinary share upon the date of the Company's incorporation	–*	–	–	–*
Balance at 31 May 2018	–*	–	53,285	53,285
Balance at 1 June 2018	–*	–	53,285	53,285
Changes in equity for 2018/19				
Profit and total comprehensive income for the year	–	–	28,752	28,752
Arising from the Reorganisation	–*	–*	–	–*
At 31 May 2019	–*	–*	82,037	82,037

	Share capital *HK$'000*	**Merger reserve** (see note below) *HK$'000*	**Retained profits/ (accumulated losses)** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 June 2019	–*	–*	82,037	82,037
Changes in equity for 2019/20				
Profit and total comprehensive income for the year	–	–	28,113	28,113
Dividends declared in respect of the current year	–	–	(10,000)	(10,000)
Balance at 31 May 2020	–*	–*	100,150	100,150

* The amount represents an amount less than HK$1,000.

Note: The merger reserve represents the aggregate amount of the excess of the nominal value of shares of a company now comprising the Group over the nominal value of one share of the Company exchanged as part of the Reorganisation.

The accompanying notes form part of this Historical Financial Information.

4. Consolidated statements of cash flows

	Note	2017	2018	2019	2020
		Year ended 31 May			
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Cash generated from operations	*16(b)*	28,967	47,161	18,489	41,121
Hong Kong profits tax paid		–	–	(2,558)	(10,877)
Net cash generated from operating activities		28,967	47,161	15,931	30,244
Investing activities					
Payment for acquisition of property, plant and equipment		(23,529)	(4,298)	(24,972)	(13,692)
(Advances to)/repayment from a director		(367)	(27,582)	6,672	(8,600)
Proceeds from disposal of property, plant and equipment		–	15	1,811	–
Bank interest income received		–	8	–	55
Net cash used in investing activities		(23,896)	(31,857)	(16,489)	(22,237)
Financing activities					
Capital element of lease rentals paid		–	–	–	(689)
Decrease in amount due to a director		(5,169)	–	–	–
Proceeds from new bank loan		–	–	8,000	–
Repayment of bank loan		–	–	(250)	(1,018)
Interest element of lease rentals paid		–	–	–	(32)
Bank loan interest paid		–	–	(80)	(297)
Net cash (used in)/generated from financing activities		(5,169)	–	7,670	(2,036)
Net (decrease)/increase in cash and cash equivalents		(98)	15,304	7,112	5,971
Cash and cash equivalents at the beginning of the year		2,724	2,626	17,930	25,042
Cash and cash equivalents at the end of the year	*16(a)*	2,626	17,930	25,042	31,013

The accompanying notes form part of this Historical Financial Information

5. Statements of financial position of the Company

	Note	At 31 May 2018 HK$'000	2019 HK$'000	2020 HK$'000
Non-current asset				
Investment in a subsidiary		–*	–*	–*
Current assets				
Amount due from an immediate holding company		–*	–*	–*
Cash and cash equivalents		–	–	51
		–*	–*	51
Current liability				
Amount due to subsidiaries		–*	–*	(60)
Net current liability		–*	–*	(9)
NET LIABILITIES		–*	–*	(9)
CAPITAL AND RESERVE				
Share capital	*21(b)*	–*	–*	–*
Accumulated losses		–	–	(9)
TOTAL EQUITY		–*	–*	(9)

* The balance represents an amount less than HK$1,000.

The accompanying notes form an integral part of this Historical Financial Information.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. Basis of preparation and presentation of Historical Financial Information

Yue Kan Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 24 May 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for a group reorganisation describe below. The Company and its subsidiaries (together, the "**Group**") are principally engaged in marine construction works, other civil engineering works and vessel chartering services.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Kat Yue Construction Engineering Limited ("**Kat Yue**"), and Kat Yue is under the control of Mr. Sherman Heung (the "**Controlling Shareholder**"). To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group underwent a corporate reorganisation (the "**Reorganisation**"), as detailed in the section headed "History, Development and Reorganisation" in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. The companies now comprising the Group were controlled by the Controlling Shareholder during the Relevant Periods before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" ("**AG5**") issued by HKICPA as if the Group had always been in existence.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods as set out in Section I of this report include the financial performance and cash flows of the Company and its subsidiaries now comprising the Group (or where the Company and its subsidiaries were incorporated at a date later than 1 June 2016, for the period from the date of incorporation to 31 May 2020) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 May 2017, 2018, 2019 and 2020 as set out in Section I of this report have been prepared to present assets and liabilities of the Company and its subsidiaries as at those dates as if the Group Reorganisation was completed at the beginning of the Relevant Periods.

Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, the particulars of which are set out below:

				Proportion of ownership interest		
Name of subsidiaries	**Place of incorporation/ establishment**	**Date of incorporation/ establishment**	**Particulars of issued and paid-up capital**	**Held by the Company**	**Held by the subsidiary**	**Principal activities**
Yue Wang Investment Limited ("**Yue Wang**")	The British Virgin Islands	28 May 2018	US$1	100%	–	Investment holding
Kat Yue Construction Engineering Limited ("**Kat Yue**")	Hong Kong	7 January 2005	HK$5,200,000	–	100%	Marine construction works, other civil engineering works and vessel chartering services

During the year ended 31 May 2019, the Group established a joint arrangement with independent third parties to undertake marine transportation services in form of a joint operation, and during the year ended 31 May 2020, the joint arrangement was terminated after the tenders were unsuccessful.

Details of the Group's interest in joint operation, which was accounted for using the line-by-line basis to the extent of the Group's interest in the joint operation, were as follows:

				Proportion of ownership interest		
Name of joint operation	**Form of business structure**	**Place of operation**	**Particulars of issued and paid up capital**	**held by the Company**	**Held by the subsidiary**	**Principal activities**
Sambo-Pioneer-Kat Yue Joint Venture	Unincorporated	Hong Kong	Note (i)	–	23%	Marine transportation services

Note:

(i) There was no issued share capital and paid up capital for the joint operation as it was an unincorporated body.

(ii) Pursuant to the terms of the agreement, all decisions about the policy and overall control of the operation of the entity shall be made unanimously by all three parties via a management board made up of representative from each party. In the premises, the Group holds a 23% equity interest during the Relevant Periods and can jointly control the entity with the other two parties irrespective of their different shareholding levels.

As at the date of this report, no audited financial statements have been prepared for Yue Wang as it is incorporated in the jurisdiction where there is no statutory audit requirement. The financial statements of the Company and Kat Yue were prepared in accordance with all applicable Hong Kong Financial Reporting Standard for Private Entities issued by HKICPA.

The following list contains details of the Company and Kat Yue in the Historical Financial Information that is subject to audit during the Relevant Periods and the name of the respective auditors.

Name of company	Financial period	Statutory auditors
Yue Kan Holdings Limited	For the period from 24 May 2018 (date of incorporation) to 31 May 2019	Crowe (HK) CPA Limited
Kat Yue	For the years ended 31 May 2017, 2018 and 2019	Crowe (HK) CPA Limited

All companies comprising the Group have adopted 31 May as their financial year end date.

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA. Further details of the significant accounting policies adopted are set out below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently applied HKFRSs, which are effective for the accounting period beginning on 1 June 2018 throughout the Relevant Periods, except for HKFRS 16 "*Leases*", which is relevant to the Group's financial information for the year ended 31 May 2020 and has been adopted since 1 June 2019. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 27.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The HKICPA has issued a new HKFRS, HKFRS 16 "*Leases*", and a number of amendments to HKFRSs that are first effective for the year ended 31 May 2020.

Except for HKFRS 16 "*Leases*", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any standard or interpretation that is not yet effective for the Relevant Periods.

HKFRS 16, *"Leases"*

HKFRS 16 replaces HKAS 17 *"Leases"* and the related interpretations, HK(IFRIC)-Int 4 *"Determining whether an arrangement contains a lease",* HK(SIC)-Int 15 *"Operating leases – incentives"* and HK(SIC)-Int 27 *"Evaluating the substance of transactions involving the legal form of a lease"*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 June 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 June 2019. The Historical Financial information as at and for the years ended 31 May 2017, 2018 and 2019 has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 June 2019. For contracts entered into before 1 June 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 23(b). For an explanation of how the Group applies lessee accounting, see Note 2(f)(i).

At the date of transition to HKFRS 16 (i.e. 1 June 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 June 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 May 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 May 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 23(b) as at 31 May 2019 to the opening balance for lease liabilities recognised as at 1 June 2019:

	1 June 2019 *HK$'000*
Operating lease commitments at 31 May 2019	501
Add: lease payments for the additional period where the Group considers it reasonably certain that it will exercise the extension options	760
	1,261
Less: total future interest expenses	(41)
Present value of remaining lease payments, discounted using incremental borrowing rate at 1 June 2019 and total lease liabilities recognised at 1 June 2019	1,220

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 May 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 May 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 June 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	41,063	1,260	42,323
Total non-current assets	**41,063**	**1,260**	**42,323**
Trade and other receivables (current)	37,267	(40)	37,227
Current assets	**99,242**	**(40)**	**99,202**
Lease liabilities (current)	–	688	688
Current liabilities	**53,837**	**688**	**54,525**
Net current assets	**45,405**	**(728)**	**44,677**
Total assets less current liabilities	**86,468**	**532**	**87,000**
Lease liabilities (non-current)	–	532	532
Total non-current liabilities	**4,431**	**532**	**4,963**
Net assets	**82,037**	**–**	**82,037**

(c) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 June 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see Note 16(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows (see Note 16(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 May 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply during the year ended 31 May 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for the year ended 31 May 2020 with the actual corresponding amounts for the year ended 31 May 2019 which were prepared under HKAS 17.

	For the year ended 31 May 2020				For the year ended 31 May 2019
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating lease as if under HKAS 17 *(Note 1)*	Hypothetical amounts as if under HKAS 17	Compared to amounts reported under HKAS 17
	(A)	(B)	(C)	(D=A+B-C)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for the year ended 31 May 2020 impacted by the adoption of HKFRS 16:					
Profit from operations	**35,199**	**723**	**(721)**	**35,201**	**36,203**
Finance costs	(329)	32	–	(297)	(80)
Profit before taxation	**34,870**	**755**	**(721)**	**34,904**	**36,123**
Profit for the year	**28,113**	**755**	**(721)**	**28,147**	**28,752**

	For the year ended 31 May 2020			For the year ended 31 May 2019
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 *(Notes 1 & 2)*	Hypothetical amounts as if under HKAS 17	Compared to amounts reported under HKAS 17
	(A)	(B)	(C=A+B)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Line items in the consolidated statement of cash flows for the year ended 31 May 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	41,121	(721)	40,400	18,489
Net cash generated from operating activities	**30,244**	**(721)**	**29,523**	**15,931**
Capital element of lease rentals paid	(689)	689	–	–
Interest element of lease rentals paid	(32)	32	–	–
Net cash (used in)/generated from financing activities	**(2,036)**	**721**	**1,315**	**7,670**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows for the year ended 31 May 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied for the year ended 31 May 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into during the the year ended 31 May 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied for the year ended 31 May 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Joint arrangement

(i) Joint venture

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the reporting period are recognised in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(ii) Joint operation

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 revenues 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, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for the depreciation of property, plant and equipment are as follows:

– Vessels	10%
– Site equipment	20%-33.33%
– Furniture and fixture	25%
– Computer equipment	25%
– Motor vehicles	25%
– Leasehold improvements	33.33%
– Right-of-use assets (Note 2(f)(i))	Over the shorter of the unexpired term of lease and the leased assets' estimated useful lives.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 June 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(g)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(B) Policy applicable prior to 1 June 2019

Prior to 1 June 2019, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in Note 2(e). Impairment losses were accounted for in accordance with the accounting policy as set out in Note 2(g)(ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and

– contract assets as defined in HKFRS 15 (see Note 2(i)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. 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 asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

– Property, plant and equipment, including right-of-use assets;

– Deposits for acquisition of plant and equipment; and

– Investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment (see Note 2(e)) or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(q).

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(j)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)).

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract assets (see Note 2(i)).

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses (Note 2(g)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(s)).

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous reporting periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes the value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Service contracts for marine construction works and other civil engineering works

A contract with a customer is classified by the Group as a service contract when the contract relates to work on assets under the control of the customer and therefore the Group's activities create or enhance an asset under the customer's control.

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on the direct measurements of the value to the customer of goods or services transferred to date ("**Value to the Customer**"), provided that the Value to the Customer is established according to the progress certificate (by reference to the amount of completed works confirmed by customers) issued by the customers.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(p)(ii).

(ii) Vessel chartering services

The Group provides vessel chartering services in Hong Kong, including the hiring of vessels and crews for a specific period of time. The Group recognises the fee received or receivable as its revenue over time in the period in which the customers simultaneously receive and consume the benefits provided by the Group's performance as services are performed by the Group.

(iii) Made-to-order manufacturing arrangements

The Group classifies contracts as made-to-order manufacturing arrangements when the Group manufactures the products in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed.

Revenue arising from made-to-order manufacturing arrangements, and a corresponding contract asset (see Note 2(i)), are recognised progressively over time. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see Note 2(j)).

(iv) Consultancy fee income

Consultancy fee income is recognised when the related services are rendered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the Historical Financial Information provided regularly to the Group's chief operating decision maker (the "**CODM**") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and tax losses.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Note 22(e) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Useful lives, residual values and depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Impairment of trade receivables and contract assets

The Group uses provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECLs individually. The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in Note 22(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, the actual loss allowance would be higher than estimated.

(iii) Service contracts for marine construction works and other civil engineering works

As explained in policy Note 2(q)(i), revenue from service contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiency advanced such that the outcome of the contract can be reasonably measured. Until this point is reached, the related contract assets disclosed in Note 14(a) do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of marine construction works, other civil engineering works and vessel chartering services. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major service lines				
– Marine construction works	172,480	182,706	175,260	186,327
– Other civil engineering works	11,402	4,622	98,261	123,726
– Vessel chartering services	32,180	82,302	23,781	3,597
	216,062	269,630	297,302	313,650

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic market is disclosed in Notes 4(b)(i) and 4(b)(ii), respectively.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 May 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$142,811,000 (which comprises approximately HK$20,958,000 for the expected contract completion time within 12 months and approximately HK$121,853,000 for the expected contract completion time over the next 12 months to 24 months). This amount represents revenue expected to be recognised in the future from marine construction work contracts and other civil engineering work contracts entered into by the customers with the Group and it does not include any estimated amount of variable consideration that is constrained. The Group will recognise the expected revenue in future when or as the work is completed.

Except for the aforesaid contracts, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as (i) the performance obligation is part of a contract that has an original expected duration of one year or less or (ii) the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to customer of the Group's performance completed to date.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Marine construction works: this segment involve reclamation works, submarine pipeline works, sediment treatment works as well as regulation and deposition of sand blanket works as a subcontractor to the Group's customers. Currently the Group's activities in this regard are carried out in Hong Kong.

Other civil engineering works: this segment include foundation works, site formation works and roads and drainage works. Currently the Group's activities in this regard are carried out in Hong Kong.

Vessel chartering services: this segment provides vessel chartering services in Hong Kong, including hiring of vessels and crews for a specific period of time.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the reporting periods. The Group's other income and expense items, such as general and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of years ended 31 May 2017, 2018, 2019 and 2020 is set out below:

Year ended 31 May 2017

	Marine construction works *HK$'000*	**Other civil engineering works** *HK$'000*	**Vessel chartering services** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition and revenue from external customers				
Over time	172,480	11,402	32,180	216,062
Reportable segment gross profit	18,682	3,675	6,089	28,446
Depreciation for the year	785	–	254	1,039

Year ended 31 May 2018

	Marine construction works HK$'000	Other civil engineering works HK$'000	Vessel chartering services HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers				
Over time	182,706	4,622	82,302	269,630
Reportable segment gross profit	21,472	651	20,605	42,728
Depreciation for the year	1,016	–	2,391	3,407

Year ended 31 May 2019

	Marine construction works HK$'000	Other civil engineering works HK$'000	Vessel chartering services HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers				
Over time	175,260	98,261	23,781	297,302
Reportable segment gross profit	40,791	5,529	6,517	52,837
Depreciation for the year	2,229	–	1,716	3,945

Year ended 31 May 2020

	Marine construction works HK$'000	Other civil engineering works HK$'000	Vessel chartering services HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition and revenue from external customers				
Over time	186,327	123,726	3,597	313,650
Reportable segment gross profit	39,548	10,642	844	51,034
Depreciation for the year	5,367	–	418	5,785

(ii) Geographical information

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

(iii) Information about major customers

Revenue from customers during the reporting periods contributing individually over 10% of the Group's total revenue is as follows:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Customer A[4]	55,412	63,423	86,463	–
Customer B[2]	40,528	N/A*	35,929	–
Customer C[3]	33,127	42,919	45,813	N/A*
Customer D[7]	30,049	N/A*	N/A*	42,626
Customer E[1]	25,262	30,575	N/A*	–
Customer F[2]	N/A*	98,252	N/A*	N/A*
Customer G[5]	–	–	98,261	N/A*
Customer H[6]	–	–	–	49,617
Customer I[6]	–	–	–	102,368

1: Revenue from marine construction works and vessel chartering services.

2: Revenue from marine construction works.

3: Revenue from other civil engineering and vessel chartering services for the years ended 31 May 2017 and 2018 and revenue from marine construction works and vessel chartering services for the year ended 31 May 2019. During year ended 31 May 2019, the revenue from this customer included services rendered to entities which are known to the Group to be under common control with this customer.

4: Revenue from marine construction works and vessel chartering services for the years ended 31 May 2017 and 2019 and revenue from marine construction works for the year ended 31 May 2018.

5: Revenue from other civil engineering works.

6: Revenue from marine construction works and other civil engineering works.

7: Revenue from marine construction works and vessel chartering services for the year ended 31 May 2017 and revenue from marine construction works for the year ended 31 May 2020.

*: Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

Details of concentrations of credit risk arising from these customers are set out in Note 22(a).

5. OTHER INCOME

	Year ended 31 May			
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consultancy fee income	1,120	800	–	–
Bank interest income	–	8	–	55
Net foreign exchange gain	–	–	3	–
Net gain on disposal of plant and equipment	–	–	190	–
Compensation received	–	–	–	119
Government subsidies (See Note below)	–	–	–	99
Sundry income	–	–	–	50
	1,120	808	193	323

Note: Government subsidies represent subsidies granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 May			
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank loan *(see Note 16(c))*	–	–	80	297
Interest on lease liabilities *(see Note 16(c))*	–	–	–	32
	–	–	80	329

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the information for the years ended 31 May 2017, 2018 and 2019 is not restated. See Note 1.

(b) Staff costs (including directors' remuneration)

	Year ended 31 May			
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contributions to defined contribution retirement plan	776	1,466	768	952
Salaries, wages and other benefits	24,783	50,762	23,000	27,032
	25,559	52,228	23,768	27,984

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income in accordance with the employment contracts. Contributions to the plan vest immediately.

(c) Other items

		Year ended 31 May			
		2017	**2018**	**2019**	**2020**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment (excluding amounts included in contract costs)					
– owned property, plant and equipment	*(i)*	1,136	3,651	4,293	6,241
– right-of-use assets	*(i)*	–	–	–	723
Operating lease charges in respect of property rentals previously classified as operating leases under HKAS17	*(i)*	234	222	396	–
Loss/(gain) on disposal of plant and equipment		29	2	(190)	–
Auditors' remuneration					
– audit services		120	150	180	1,300

Note:

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 June 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the information for the years ended 31 May 2017, 2018 and 2019 is not restated. See Note 1.

7. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax – Hong Kong Profits Tax				
Provision for the year	2,547	5,448	5,228	6,161
(Over)/under-provision in respect of prior years	(20)	–	11	(20)
Deferred tax	2,527	5,448	5,239	6,141
Origination and reversal of temporary differences	1,410	889	2,132	616
	3,937	6,337	7,371	6,757

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) The provision for Hong Kong Profits Tax for the year ended 31 May 2017 is calculated at 16.5% of the estimated assessable profits for the year ended 31 May 2017, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of HK$30,000.

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 rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rate regime, the first HK$2,000,000 of assessable profits of qualifying corporation will be taxed at 8.25% and assessable profits above HK$2,000,000 will be taxed at 16.5%. For the annual reporting period ended on or after 31 May 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rate regime. The assessable profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rate regime will continue to be taxed at the flat rate 16.5%.

The directors of the Company are in the view that the impact of the two-tiered profits tax regime on the Group's current and deferred tax position is not material.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	26,277	39,325	36,123	34,870
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	4,335	6,323	5,795	5,589
Tax effect of non-taxable income	–	(1)	–	(9)
Tax effect of non-deductible expenses	1	15	1,565	1,191
Tax effect of temporary differences not recognised	9	–	–	6
Statutory tax concession	(30)	–	–	–
(Over)/under-provision in prior years	(20)	–	11	(20)
Utilisation of previously unrecognised tax losses	(358)	–	–	–
Actual income tax expense	3,937	6,337	7,371	6,757

8. DIRECTORS' EMOLUMENTS

Certain directors of the Company received emoluments from a subsidiary now comprising the Group during the Relevant Periods which were included in the staff costs as disclosed in Note 6(b). Directors' emoluments are set out as follows:

	For the year ended 31 May 2017			
	Directors' fee	**Salaries, allowances and benefits in kind**	**Contributions to defined contribution retirement plans**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
HEUNG Che Kan	–	240	12	252
HEUNG Yue Wing	–	273	13	286
LEE Ming Chu Jade	–	230	12	242
Total	–	743	37	780

	For the year ended 31 May 2018			
	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
HEUNG Che Kan	–	440	22	462
HEUNG Yue Wing	–	393	18	411
LEE Ming Chu Jade	–	325	15	340
Total	–	1,158	55	1,213

	For the year ended 31 May 2019			
	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
HEUNG Che Kan	–	1,440	72	1,512
HEUNG Yue Wing	–	396	18	414
LEE Ming Chu Jade	–	600	18	618
Total	–	2,436	108	2,544

	For the year ended 31 May 2020			
	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
HEUNG Che Kan	–	1,440	48	1,488
HEUNG Yue Wing	–	552	28	580
LEE Ming Chu Jade	–	600	30	630
	–	2,592	106	2,698

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals as set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Nil, Nil, one and one is a director for the years ended 31 May 2017, 2018, 2019 and 2020 respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals of the Group are as follows:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and other emoluments	2,592	3,672	3,570	3,826
Retirement scheme contributions	64	90	114	168
	2,656	3,762	3,684	3,994

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*
Nil to HK$1,000,000	5	5	3	3
HK$1,000,001 to HK$1,500,000	–	–	1	1

10. DIVIDENDS

No dividends have been declared and paid by the Company or any of its subsidiaries during the years ended 31 May 2017, 2018 and 2019.

Pursuant to the shareholders' approval at the Company's resolution in writing of the sole shareholder held on 22 November 2019, an interim dividend of HK$5,000,000 per share based on 2 ordinary shares totally HK$10,000,000 in respect of the year ended 31 May 2020 was declared. The dividend was settled through offsetting amount due from a director during the year ended 31 May 2020.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods using the basis of preparation and presentation as disclosed in Note 1 to the Historical Financial Information.

12. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Vessels	Site equipment	Furniture and fixture	Computer equipment	Motor vehicles	Leasehold improvements	Properties leased for own use carried at cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:								
At 1 June 2016	–	–	17	25	114	–	–	156
Additions	11,027	3,099	4	33	630	–	–	14,793
Disposals	–	–	–	–	(114)	–	–	(114)
At 31 May 2017 and 1 June 2017	11,027	3,099	21	58	630	–	–	14,835
Additions	12,444	–	–	22	568	–	–	13,034
Disposals	–	(23)	–	–	–	–	–	(23)
At 31 May 2018 and 1 June 2018	23,471	3,076	21	80	1,198	–	–	27,846
Additions	19,596	4,520	–	95	669	92	–	24,972
Disposals	(1,700)	(22)	–	–	(320)	–	–	(2,042)
At 31 May 2019	41,367	7,574	21	175	1,547	92	–	50,776
Impact on initial application of HKFRS 16 (Note)	–	–	–	–	–	–	1,260	1,260
At 1 June 2019	41,367	7,574	21	175	1,547	92	1,260	52,036
Additions	12,380	1,312	–	–	–	–	–	13,692
At 31 May 2020	53,747	8,886	21	175	1,547	92	1,260	65,728
Accumulated depreciation:								
At 1 June 2016	–	–	4	6	85	–	–	95
Charge for the year	184	775	5	15	157	–	–	1,136
Written back on disposals	–	–	–	–	(85)	–	–	(85)
At 31 May 2017 and 1 June 2017	184	775	9	21	157	–	–	1,146
Charge for the year	2,301	1,025	5	20	300	–	–	3,651
Written back on disposals	–	(6)	–	–	–	–	–	(6)
At 31 May 2018 and 1 June 2018	2,485	1,794	14	41	457	–	–	4,791
Charge for the year	3,744	1,252	5	33	283	26	–	5,343
Written back on disposals	(229)	(13)	–	–	(179)	–	–	(421)
At 31 May 2019 and 1 June 2019	6,000	3,033	19	74	561	26	–	9,713
Charge for the year	4,395	1,390	2	38	385	31	723	6,964
At 31 May 2020	10,395	4,423	21	112	946	57	723	16,677
Net book value:								
At 31 May 2017	10,843	2,324	12	37	473	–	–	13,689
At 31 May 2018	20,986	1,282	7	39	741	–	–	23,055
At 31 May 2019	35,367	4,541	2	101	986	66	–	41,063
At 31 May 2020	43,352	4,463	–	63	601	35	537	49,051

Certain vessels with carrying amount of approximately HK$15,376,000 and HK$13,696,000 were pledged to secure the Group's banking facilities (Note 18) respectively as at 31 May 2019 and 2020.

Note: The Group has initially applied HKFRS16 using the modified retrospective method and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 1.

(b) Right-of-use assets

The Group has obtained the right to use the properties as Group's offices through tenancy agreements during the Relevant Periods. The leases typically run for an initial period of 15 months to 36 months. None of leases includes variable lease payments.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 1 June 2019	**At 31 May 2020**
	HK$'000	*HK$'000*
Properties leased for own use, carried at depreciated cost	1,260	537

The analysis of expenses items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 May 2019	**Year ended 31 May 2020**
	HK$'000 *(Note)*	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	–	723
Interest on lease liabilities *(Note 6(a))*	–	32
Total minimum lease payments for lease previously classified as operating lease under HKAS 17	396	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 June 2019, the Group as a leasee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the information for the years ended 31 May 2017, 2018 and 2019 is not restated. See Note 1.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 16(d) and 19.

13. CONTRACT COSTS

Contract costs capitalised as at 31 May 2018, 2019 and 2020 relate to costs incurred in fulfilling service contracts with customers. Contract costs are recognised as part of "direct costs" in the statement of profit or loss and other comprehensive income in the period in which revenue from the related sales or services is recognised. The amounts of capitalised cost as at 31 May 2018 and 31 May 2019 recognised in profit or loss during the years ended 31 May 2019 and 2020 were approximately HK$3,425,000 and HK$2,394,000 respectively. There was no impairment in relation to the costs capitalised during the years ended 31 May 2018, 2019 and 2020.

All contract costs are expected to be recovered within one year.

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 May			
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Arising from performance under marine construction works	10,390	20,284	26,205	27,847
Arising from performance under other civil engineering works	–	–	6,628	9,711
	10,390	20,284	32,833	37,558

The Group's service contracts for marine construction works and other civil engineering works normally include payment terms which require stage payments over the service period once the progress certificates were issued by customers. These payment terms prevent the build-up of significant contract assets. The Group also typically agrees to a retention period of three months to one year for a maximum limit of 2.5% to 5% 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.

At 31 May 2017, 2018, 2019 and 2020, the amounts of contract assets that are expected to be recovered after more than one year are approximately HK$730,000, HK$122,000, HK$nil and HK$2,336,000 respectively, all of which relates to retentions.

The amount of revenue recognised during the year ended 31 May 2019 from performance obligations satisfied in previous period is HK$1,495,000, mainly due to the change in estimate of the transaction price of a marine construction contract.

(b) Contract liabilities

	As at 31 May			
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities				
Billings in advance of performance				
– Marine construction works	3,540	–	–	–
– Other civil engineering works	255	255	–	–
– Vessel chartering services	5,399	799	–	–
	9,194	1,054	–	–

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– *Marine construction works*

When the Group receives a deposit before marine construction work commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit was negotiated on a case by case basis with customers.

– *Other civil engineering works and vessel chartering services*

When the Group receives a deposit before other civil engineering work or vessel chartering activity commences this will give rise to contract liabilities at the start of a contract, until the revenue is recognised based on the provision of the services in accordance with the relevant contracts.

Movements in contract liabilities

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year	–	9,194	1,054	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	–	(8,140)	(1,054)	–
Increase in contract liabilities as a result of billing in advance of marine construction works	3,540	–	–	–
Increase in contract liabilities as a result of billing in advance of other civil engineering works	255	–	–	–
Increase in contract liabilities as a result of billing in advance of vessel chartering services	5,399	–	–	–
Balance at the end of the year	9,194	1,054	–	–

At 31 May 2017 and 2018, the amounts of billings in advance of performance in respect of other civil engineering works and vessel chartering services expected to be recognised as income after more than one year were approximately HK$1,054,000 and HK$nil, respectively.

15. TRADE AND OTHER RECEIVABLES

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	16,793	23,189	14,994	10,377
Consulting fee receivable	100	50	–	–
Advance to subcontractors	–	–	–	871
Amount due from a director *(see Note 25(b))*	367	27,949	21,277	19,877
Other receivables	202	–	114	50
	17,462	51,188	36,385	31,175
Deposits and prepayments	733	2,693	882	1,838
	18,195	53,881	37,267	33,013

At 31 May 2017, 2018, 2019 and 2020, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the date of progress certificate or the date of billing, is as follows:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	14,805	17,672	7,470	9,807
1 to 2 months	1,737	5,386	367	570
2 to 3 months	251	131	7,157	–
	16,793	23,189	14,994	10,377

Trade receivables are generally due within 60 days from the date of progress certificate or the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 22(a).

16. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents in the consolidated statements of financial position and cash flows comprise:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposit with a bank	–	–	–	4,100
Cash at banks	2,626	17,930	25,042	26,913
	2,626	17,930	25,042	31,013

(b) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	26,277	39,325	36,123	34,870
Adjustments for:				
Depreciation	1,136	3,651	4,293	6,964
Finance costs	–	–	80	329
Bank interest income	–	(8)	–	(55)
Loss/(gain) on disposal of plant and equipment	29	2	(190)	–
Changes in working capital:				
(Increase)/decrease in contract assets, trade and other receivables and contract costs	(21,404)	(21,423)	(2,232)	483
Increase/(decrease) in contract liabilities, trade and other payables	22,929	25,614	(19,585)	(1,470)
Cash generated from operations	28,967	47,161	18,489	41,121

Note:

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee were classified as operating activities in the consolidated statements of cash flows. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see Note 16(c)) and classified as financing cash outflows. Under the modified retrospective approach, the information as at and for the years ended 31 May 2017, 2018 and 2019 is not restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 1.

(ii) Major non-cash items

During the year ended 31 May 2020, an interim dividend of HK$10,000,000 was declared by the Company to its then equity shareholder and was set off against "Amount due from a director".

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Amount due to a director *HK$'000*
At 1 June 2016	5,169
Changes from financing cash flows	
Decrease in amount due to a director	(5,169)
Total changes from financing cash flows	(5,169)
At 31 May 2017	–

	Bank loan *HK$'000* *(Note 18)*
At 1 June 2018	–
Changes from financing cash flows	
Proceeds from new bank loan	8,000
Repayment of bank loan	(250)
Bank loan interest paid	(80)
Total changes from financing cash flows	7,670
Other change	
Interest on bank loan *(see Note 6(a))*	80
At 31 May 2019	7,750

	Bank loan *HK$'000* *(Note 18)*	Lease liabilities *HK$'000* *(Note 19)*	Total *HK$'000*
At 31 May 2019	7,750	–	7,750
Impact on initial application of HKFRS 16 (see Note below)	–	1,220	1,220
At 1 June 2019	7,750	1,220	8,970
Changes from financing cash flows			
Repayment of bank loan	(1,018)	–	(1,018)
Bank loan interest paid	(297)	–	(297)
Capital element of lease rentals paid	–	(689)	(689)
Interest element of lease rentals paid	–	(32)	(32)
Total changes from financing cash flows	(1,315)	(721)	(2,036)
Other changes			
Interest expenses (see Note 6(a))	297	32	329
At 31 May 2020	6,732	531	7,263

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Notes 1 and 16(b).

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	Year ended 31 May			
	2017 *HK$'000* *(Note)*	**2018** *HK$'000* *(Note)*	**2019** *HK$'000* *(Note)*	**2020** *HK$'000*
Within operating cash flows	234	222	436	–
Within financing cash flows	–	–	–	721
	234	222	436	721

Note: As explained in the note to note 16(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts related to the following:

	Year ended 31 May			
	2017 *HK$'000*	**2018** *HK$'000*	**2019** *HK$'000*	**2020** *HK$'000*
Lease rentals paid	234	222	436	721

17. TRADE AND OTHER PAYABLES

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,971	50,410	25,844	20,870
Retention payables	239	1,736	4,199	8,242
Payable for acquisition of property, plant and equipment	461	–	–	–
Accrued charges and other payables	3,978	1,796	5,368	4,829
	20,649	53,942	35,411	33,941

At 31 May 2017, 2018, 2019 and 2020, the amount of retention payables expected to be settled after more than one year was approximately HK$239,000, HK$180,000, HK$nil and HK$1,290,000 respectively. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of each reporting period, the aging analysis of trade payables, based on invoice date, is as follows:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	10,982	42,550	11,588	16,688
1 to 2 months	4,980	6,019	5,809	4,182
2 to 3 months	9	39	8,447	–
Over 3 months	–	1,802	–	–
	15,971	50,410	25,844	20,870

18. BANK LOAN

At 31 May 2017, 2018, 2019 and 2020, the bank loan was secured and repayable as follows:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year or on demand	–	–	7,750	6,732

At 31 May 2019 and 2020, the bank loan of the Group was secured by mortgage over certain of the Group's vessels with an aggregate carrying amount of approximately HK$15,376,000 and HK$13,696,000 respectively and personal guarantee provided by the Controlling Shareholder. The bank loan facilities amounted to HK$9,000,000. The facilities were utilised to the extent of approximately HK$7,750,000 and HK$6,732,000 as at 31 May 2019 and 2020 respectively.

The loan bears interest at 1% per annum below Hong Kong Dollar Prime Rate and is repayable monthly by instalments, and the final instalment will be repayable in February 2026.

Notwithstanding the specified repayment schedule provided by the bank ("**specific repayment term**") which allow the loan to be repaid over a period of more than one year, the banking facilities granted to the Group include a clause that gives the bank the unconditional rights to call the bank loan at any time ("**repayment on demand clause**"). At 31 May 2019 and 2020, bank loan of approximately HK$7,750,000 and HK$6,732,000 respectively is subject to the repayment on demand clause, of which approximately HK$6,734,000 and HK$5,669,000 respectively repayable after one year based on the specific repayment term and was classified as current liabilities in the consolidated statements of financial position.

However, the directors of the Company expects that the bank loan is to be repaid as follows based on the specific repayment term:

	At 31 May 2019 *HK$'000*	As at 31 May 2020 *HK$'000*
Bank loan due for repayment within one year or demand:		
Bank loan due for repayment within one year	1,016	1,063
Bank loan due for repayment after one year (see note below):		
After 1 year but within 2 years	1,060	1,106
After 2 years but within 5 years	3,454	3,595
After 5 years	2,220	968
	6,734	5,669
	7,750	6,732

Note: The presentation of amounts due for repayment are based on the specific repayment term and the effect of any repayment on demand clause is ignored.

All of the Group's banking facilities are subject to the fulfilment of covenants which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 22(b). As at 31 May 2019 and 2020, none of the covenants relating to drawn down facilities had been breached.

19. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS16 and 31 May 2020:

	1 June 2019 *(see note below)*		31 May 2020	
	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	688	721	531	539
After 1 year but within 2 years	532	540	–	–
	1,220	1,261	531	539
Less: total future interest expenses		(41)		(8)
Present value of lease liabilities		1,220		531

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in Note 1.

20. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for Hong Kong Profits Tax for the year	2,547	5,448	5,228	6,161
Provisional Profits Tax paid	–	–	–	(221)
	2,547	5,448	5,228	5,940
Balance of Profits Tax provision relating to prior years	–	2,547	5,448	–
	2,547	7,995	10,676	5,940

(b) Deferred tax liabilities recognised

Movement of deferred tax liabilities

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from depreciation allowances in excess of the related depreciation:				
At the beginning of the year	–	1,410	2,299	4,431
Charged to profit or loss	1,410	889	2,132	616
At the end of the year	1,410	2,299	4,431	5,047

(c) Deferred tax assets not recognised

At the end of each reporting period, the Group has no material unrecognised deferred tax assets.

21. CAPITAL AND RESERVES

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting periods are set out below:

	Share capital *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Changes in equity for 2017/18			
Issuance of one ordinary share upon the date of Company's incorporation *(see Note 21(b)(i))*	–*	–	–*
Balance at 31 May 2018	–*	–	–*
Balance at 1 June 2018	–*	–	–*
Changes in equity for 2018/19			
Issuance of one ordinary share *(see Note 21(b)(ii))*	–*	–	–*
Balance at 31 May 2019	–*	–	–*
Balance at 1 June 2019			
Changes in equity for 2019/20	–*	–	–*
Total comprehensive expenses for the year	–	(9)	(9)
Balance at 31 May 2020	–*	(9)	(9)

* The balance represents an amount less than HK$1,000.

(b) Share capital

	Par value *HK$*	No. of shares	Amount *HK$'000*
Authorised ordinary shares *(see note below)*			
At 24 May 2018 (date of incorporation), 31 May 2018, 2019 and 2020	0.01	38,000,000	380
Issued and fully paid ordinary shares			
Issuance of one ordinary share upon the incorporation and at 31 May 2018 *(Note (i))*	0.01	1	–*
Issuance of one ordinary share *(Note (ii))*	0.01	1	–*
At 31 May 2019, 1 June 2019 and 31 May 2020		2	–*

* The balance represents an amount less than HK$1,000.

For the purpose of this report, share capital as at 31 May 2017 represented the share capital of the subsidiary of the Company which existed at this date.

Note:

(i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 May 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with par value of HK$0.01 each. On 24 May 2018, one share was alloted and issued at par value.

(ii) Pursuant to the sale and purchase agreement dated 30 August 2018 entered into between the Controlling Shareholder, as Vendor, and Yue Wang (a wholly-owned subsidiary of the Company), as purchaser, Yue Wang acquired the entire equity interest in Kat Yue from the Controlling Shareholder. In consideration thereof, the Company allotted and issued one ordinary share, credited as fully-paid, to ultimate holding company of the Company as directed by the Controlling Shareholder. Immediately after the above acquisition of Kat Yue, Kat Yue became a wholly-owned subsidiary of Yue Wang.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. For this purpose, the Group defines gearing ratio as total debt divided by total equity. Total debt includes interest-bearing loans and borrowings and lease liabilities. Total equity comprises all components of equity. The Group's strategy was to maintain the gearing ratio at a reasonable level. In order to maintain the gearing ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 June 2019. This cause increase in the Group's total debt and hence the Group's gearing ratio rose from 9% to 11% on 1 June 2019 when compared to its position as at 31 May 2019.

The Group's gearing ratio at the end of each reporting period and at the date of transition to HKFRS 16 was as follows:

	As at 31 May			As at 1 June	As at 31 May
	2017	**2018**	**2019**	**2019**	**2020**
	(Note)	*(Note)*	*(Note)*	*(Note)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities:					
Bank loan	–	–	7,750	7,750	6,732
Lease liabilities	–	–	–	688	531
	–	–	7,750	8,438	7,263
Non-current liabilities:					
Lease liabilities	–	–	–	532	–
Total debt	–	–	7,750	8,970	7,263
Total equity	20,297	53,285	82,037	82,037	100,150
Gearing ratio	–	–	9%	11%	7%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the information as at 31 May 2017, 2018 and 2019 is not restated. See Note 1.

The Government of the Hong Kong Special Administrative Region (the "**Government**") requires contractors on the list of approved contractors for public works (the "**List**") to maintain such minimum working capital as the Government may from time to time determine (the "**Required Minimum Working Capital**"). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 May 2017, 2018, 2019 and 2020, 21%, 17% and 31% and 15% of the total trade receivables and contract assets were due from the Group's largest customer respectively and 83%, 89% and 86% and 62% of the total trade receivables and contract assets were due from the Group's five largest customers respectively.

Individual credit evaluations are performed as part of the acceptance procedures for new contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress and final billings in accordance with contracted terms. Trade receivables are generally due within 60 days from the date of progress certificate or the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Given the customers of the Group are mainly the reputable companies or the companies within the reputable groups and the Group has not experienced any significant credit losses in the past, management considered the credit risk to be immaterial with the expected credit loss rate being close to zero. As a result, no provision for impairment of trade receivables and contract assets is necessary during each reporting period.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

For bank loan subjects to a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on the expected repayment dates with reference to the schedule of repayments set out in specific repayment term and, separately, the impact to the timing of cash outflow if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	31 May 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 May 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	16,458	239	–	–	16,697	16,697

	31 May 2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 May 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	52,009	180	–	–	52,189	52,189

	31 May 2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 May 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	33,966	–	–	–	33,966	33,966
Bank loan	1,318	1,318	3,953	2,306	8,895	7,750
	35,284	1,318	3,953	2,306	42,861	41,716
Adjustments to present cash flows on bank loan based on lender's right to demand repayment	6,432	(1,318)	(3,953)	(2,306)	(1,145)	–
	41,716	–	–	–	41,716	41,716

	31 May 2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	30,756	1,290	–	–	32,046	32,046
Lease liabilities *(Note)*	539	–	–	–	539	531
Bank loan	1,313	1,313	3,938	984	7,548	6,732
	32,608	2,603	3,938	984	40,133	39,309
Adjustments to present cash flows on bank loan based on lender's right to demand repayment	5,419	(1,313)	(3,938)	(984)	(816)	–
	38,027	1,290	–	–	39,317	39,309

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17. Under this approach, the information as at 31 May 2017, 2018 and 2019 is not restated. See Note 1.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loan. Bank loan issued at variable rates exposes the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by the management is set out in (i) below.

The interest rate and repayment terms of bank loan of the Group are disclosed in Note 18.

The Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than bank loan which carries interest at variable interest rate, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from bank loan. The Group does not use financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

Interest expense derived therefrom is relatively insignificant to the Group's operations; and the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk, and no sensitivity analysis is performed.

i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	31 May 2017		31 May 2018		31 May 2019		31 May 2020	
	Effective interest rate	Amount *HK$'000*	Effective interest rate	Amount *HK$'000*	Effective interest rate	Amount *HK$'000*	Effective interest rate	Amount *HK$'000*
Fixed rate borrowings:								
Lease liabilities *(see note below)*		–		–		–	4.125% per annum	531
Variable rate borrowing:								
Bank loan		–		–	4.125% per annum	7,750	4.0% per annum	6,732

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the information as at 31 May 2017, 2018 and 2019 is not restated. See Note 1.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's operating structure, the majority of the business transactions are denominated in HK$, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expenses, as compared to the Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 May 2017, 2018, 2019 and 2020.

23. COMMITMENTS

(a) Capital commitments outstanding at 31 May 2017, 2018, 2019 and 2020 not provided for in the Historical Financial Information were as follows:

	As at 31 May			
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for in respect of the purchase of property, plant and equipment	1,547	–	1,092	–

(b) At 31 May 2017, 2018 and 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follow:

	As at 31 May		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	–	–	461
After 1 year but within 5 years	–	–	40
	–	–	501

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 June 2019 to recognise lease liabilities relating to these leases (see Note 1). From 1 June 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statements of financial position in accordance with the policies set out in Note 2(f), and the details regarding the Group's future lease payments are disclosed in Note 19.

24. CONTINGENT LIABILITIES

(a) Potential claims

As at 31 May 2018, 2019 and 2020, the Group had work injury cases which may lead to the potential claims relating to employee's compensation and/or personal injuries claims; and such potential claims may or may not be commenced against the Group. The directors of the Company considered that the possibility of any outflow in settling the aforesaid potential claims is remote as these potential claims are well covered by insurance and/or full indemnity undertaking given by the Controlling Shareholder. Accordingly, the directors of the Company are of the opinion that no provision for the contingent liabilities in respect of these potential claims is considered necessary, after due consideration of each case.

(b) Litigation

At 31 May 2020 and up to the date of this report, a subsidiary of the Company was a defendant in a legal claim relating to employee's compensation case. The directors considered that the possibility of any economic outflow in settling the legal claim is remote as the main contractor has agreed to indemnify the Group's legal costs and compensation and this claim is also well covered by full indemnity undertaking given by the Controlling Shareholder. Accordingly, no provision for the contingent liabilities in respect of this litigation is necessary, after due consideration of this case.

25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in Historical Financial Information, the particulars of significant transactions between the Group and the related parties during the Relevant Periods are as follows.

(a) Key management personnel remuneration

All members of key management personnel of the Group are the directors of the Group and their remuneration is disclosed in Note 8.

(b) Financing arrangements with key management personnel

At 31 May 2017, 2018, 2019 and 2020, the Group has the following balances with a director:

		As at 31 May			
		2017	**2018**	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a director – Heung Che Kan (the Controlling Shareholder)	*(i), (iii)*	367	27,949	21,277	19,877
Lease liability due to a director – Heung Che Kan	*(ii)*	–	–	–	9

Notes:

(i) The amount due from a director was non-trade nature, unsecured, interest-free and repayable on demand. The maximum amounts outstanding during the years ended 31 May 2017, 2018, 2019 and 2020 were approximately HK$367,000, HK$33,514,000, HK$27,949,000 and HK$29,978,000 respectively.

(ii) On 20 March 2019, Kat Yue entered into a tenancy agreement with Mr. Heung Che Kan, pursuant to which Kat Yue agreed to lease the premise from Mr. Heung Che Kan for office use for a term of 15 months from 15 March 2019 to 14 June 2020 at a monthly rental fee of HK$19,200 for the period from 15 March 2019 to 14 June 2019 and HK$20,000 for the period from 15 June 2019 to 14 June 2020. At 1 June 2019, the Group recognised a right-of-use asset and a lease liability of approximately HK$244,000.

(iii) The amount due from a director as at 31 May 2020 has been settled as of the date of this report.

In addition, Mr. Heung Che Kan, a director of the Company and the Controlling Shareholder, has given his personal guarantee to a bank in respect of the banking facilities granted to the Group. Details of which are set out in Note 18. The personal guarantee given by Mr. Heung Che Kan will be released or replaced by corporate guarantee to be provided by the Company upon the listing.

(c) Transactions with related parties

(i) For the years ended 31 May 2017 and 2018, the Group paid vessel chartering expenses of approximately HK$6,342,000 and HK$12,060,000 respectively to Scenic Shipping Company Limited, in which Lucky State Holdings Limited ("**Lucky State**") held 40% equity interest. Mr Heung Che Kan, a director of the Company, was a director of Lucky State until 10 May 2018 and a shareholder holding 25% equity interest in Lucky State until 16 May 2018, and Mr Heung Che Kan resigned as a director of Lucky State on 10 May 2018 and sold its equity interest in Lucky State to a third party on 16 May 2018. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

Trade payables of HK$2,000,000 and HK$2,000,000 to Scenic Shipping Company Limited, were included in "Trade and other payables" (Note 17) as at 31 May 2017 and 2018, respectively.

(ii) During the period from 15 June 2018 to 14 March 2019, Mr. Heung Che Kan, the Controlling Shareholder of the Company, has provided a property to the Group free of charge. On 20 March 2019, Kat Yue entered into a tenancy agreement with Mr. Heung Che Kan, pursuant to which Kat Yue agreed to lease the premise from Mr. Heung Che Kan for office use for a term of 15 months from 15 March 2019 to 14 June 2020 at a monthly rental fee of HK$19,200 for the period from 15 March 2019 to 14 June 2019 and HK$20,000 for the period from 15 June 2019 to 14 June 2020. During the year ended 31 May 2019, Kat Yue paid rental expenses of approximately HK$49,000 to Mr. Heung Che Kan. During the year ended 31 May 2020, Kat Yue made lease payments of approximately HK$240,000 to Mr. Heung Che Kan.

26. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At the date of issue of the Historical Financial Information, the directors consider the immediate controlling party of the Company to be Yue Hang Investment Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard the ultimate controlling party of the Company to be Mr. Heung Che Kan.

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and new standards, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

The revised and new accounting standards but not yet effective for the Relevant Periods are set out below:

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*	1 January 2020
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
Amendments to HKAS1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	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 Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

III. SUBSEQUENT EVENTS

(i) Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has impacted the business environment in Hong Kong. Up to the date of this Accountants' Report, COVID-19 has not resulted in a material impact to the Group's business operation. Pending the development and spread of COVID-19 subsequent to the date of this Accountants' Report, further changes in the economic conditions for the Group arising thereof may have an impact on the financial results of the Group, the extent of which could not be estimated up to the date of this Accountants' Report. The Group will give continuous attention to the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(ii) On 19 October 2020, an interim dividend of HK$20,000,000 per share based on 2 ordinary shares totally HK$40,000,000 in respect of the year ending 31 May 2021 was declared.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2020.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our 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 financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets as at 31 May 2020 as if the Share Offer had taken place on 31 May 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets had the Share Offer been completed as at 31 May 2020 or any future date.

	Consolidated net tangible assets of the Group as at 31 May 2020 (1)	Estimated net proceeds from the Share Offer (2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 May 2020	Unaudited pro forma adjusted net tangible assets of the Group per Share (3)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.225 per share	100,150	100,093	200,243	0.09
Based on an Offer Price of HK$0.27 per share	100,150	121,860	222,010	0.10

Notes:

(1) The consolidated net tangible assets of the Group as at 31 May 2020 is based on the Group's consolidated net assets as at 31 May 2020, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 556,000,000 Offer Shares at the indicative Offer Prices of HK$0.225 per Share (being the minimum offer price) and HK$0.27 per Share (being the maximum offer price), after deduction of the estimated underwriting fees and other listing expenses paid and payable by the Group (excluding listing expenses of approximately HK$16,690,000 that were charged to profit or loss during the Track Record Period), and without taking into account any shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,224,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately following the completion of the Share Offer), assuming that the Capitalisation Issue and the Share Offer had been completed as of 31 May 2020. It does not take into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2020.

(5) The unaudited pro forma adjusted net tangible asset of the Group does not take into account of the interim dividend of HK$40,000,000 declared on 19 October 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets of the Group per Share would be approximately HK$0.07 assuming an Offer Price of HK$0.225 per Share and approximately HK$0.08 assuming an Offer Price of HK$0.27 per Share.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of our Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Crowe

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF YUE KAN HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yue Kan Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 23 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part 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 offering of the ordinary shares of the Company (the "**Share Offer**") on the Group's financial position as at 31 May 2020 as if the Share Offer had taken place at 31 May 2020. As part of this process, information about the financial position of the Group as at 31 May 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 ("**HKSAE**") 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 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 unaudited 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.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 November 2020

Yau Hok Hung
Practising Certificate Number P04911

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 May 2018 under the Companies Law. Our 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 our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our 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 our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our 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 13 November 2020. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of our 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 our 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 authorised 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

Our 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 our 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 our 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 our 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 our Company to purchase its own shares

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our 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 our 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 our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our 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 our 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 our 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 our 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 our 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 our 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 our Company) and our 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 our 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 our 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 our 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 our 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 our 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 our 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 our 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 our Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our 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 our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our 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 our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our 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 our 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 our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our 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 our Company is associated in business, or may make contributions out of our 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 our Company or any of its subsidiaries) and former employees of our 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 our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our 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 our 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 our Company or any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our 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 our Company may be interested, and shall not be liable to account to our 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 our 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 our 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 our 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 our 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 our 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 our 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 our 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 our Company or any other company which our 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 our 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 our 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 our 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 our 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 our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of our 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 our 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 our 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 our 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 our 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 our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 our 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

Our Company must hold an annual general meeting each year other than the year of our 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 our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of our 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 our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our 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 our 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 our 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 our Company to any member by electronic means.

Although a meeting of our 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 our 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 our 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 our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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 authorised 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 our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by our Company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our 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 our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our 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 our 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), our Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised 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.

Our 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 our 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 our 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

Our 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 our Company on account of calls, instalments or otherwise.

Where the Board or our 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, our Company may by ordinary resolution in respect of any one particular dividend of our 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 our 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 our 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 our Company until claimed and our 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 our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our 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 our Company is listed on the Stock Exchange, any member may inspect any register of members of our 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 our 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 our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our 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 our 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 our 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 our 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 our 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 our Company and our 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

Our Company was incorporated in the Cayman Islands as an exempted company on 24 May 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 our 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 our Company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our 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, our 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 our 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 our Company:

(aa) on or in respect of the shares, debentures or other obligations of our 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 our Company is for a period of 20 years from 14 June 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 our 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, our 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 authorised 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 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 24 May 2018. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 July 2018 and our principal place of business in Hong Kong is at Room 801, 8/F, Keybond Commercial building, 38 Ferry Street, Jordan, Kowloon, Hong Kong. Mr. Sherman Heung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company 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 various provisions of its constitution and relevant aspects 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.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One fully paid Share was allotted and issued to the initial subscriber on 24 May 2018, which was subsequently transferred to Yue Hang on the same date.

(b) On 30 August 2018, Mr. Sherman Heung, as vendor, and Yue Wang as purchaser, and our Company enter into a sale and purchase agreement, pursuant to which Yue Wang acquired two shares, representing the entire issued share capital of Kat Yue, from Mr. Sherman Heung, and in consideration thereof, our Company allotted and issued one fully paid Share to Yue Hang.

(c) On 13 November 2020, our Company resolved to increase its authorised share capital from HK$380,000 divided into 38,000,000 Shares to HK$30,000,000 divided into 3,000,000,000 Shares by the creation of 2,962,000,000 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 no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 2,224,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 776,000,000 Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 13 November 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 sole Shareholder 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 13 November 2020

On 13 November 2020, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

(a) our Company approved and adopted the Memorandum and the Articles with immediate effect;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each by creation of an additional 2,962,000,000 Shares of 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, the Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted issued pursuant to the exercise of any 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 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" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with 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, Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK$16,679,999.98 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 1,667,999,998 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 13 November 2020 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 then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(d) a general unconditional mandate was given to our Directors to exercise all power of our Company to allot, issue and deal with, otherwise than by way of rights issue 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 and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or 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 and 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 and the Capitalisation Issue 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, 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 the Shareholders in general meeting; and

(f) the general unconditional 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 and agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the 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 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.

4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph 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 Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company, a summary of which is set out below:

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities 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 up 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 of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our sole Shareholder on 13 November 2020, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorising them to exercise all powers of our Company to repurchase 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 as will represent up to 10% of the aggregate nominal amount 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 any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is 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 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 the Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purchase in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our 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 from time to time.

Any repurchase 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) Exercise of the Repurchase Mandate

On the basis of 2,224,000,000 Shares in issue immediately after completion of the Capitalisation Issue and Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 222,400,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) 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.

(d) Funding of repurchases

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 and regulations 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 to sell any Shares to our Company if the Repurchase Mandate is exercised.

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, the Articles and the applicable laws and regulations from time to time inforce in 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 purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's 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 consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares 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/she 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 OF OUR GROUP

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 to the business of our Company as a whole:

(a) a sale and purchase agreement dated 30 August 2018 entered into among Mr. Sherman Heung, as vendor, and Yue Wang, as purchaser, and our Company pursuant to which Yue Wang acquired two shares, representing the entire issued share capital of Kat Yue, from Mr. Sherman Heung, and in consideration thereof, our Company allotted and issued one Share credited as fully paid to Yue Hang as directed by Mr. Sherman Heung;

(b) an instrument of transfer and bought and sold notes all dated 30 August 2018 entered into between Mr. Sherman Heung and Yue Wang for the transfer of two shares in Kat Yue from Mr. Sherman Heung to Yue Wang in consideration of the allotment and issue of one Share credited as fully paid to Yue Hang as directed by Mr. Sherman Heung;

(c) the Deed of Non-competition;

(d) the Deed of Indemnity; and

(e) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(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
	37	304546945	31 May 2018 – 30 May 2028	Kat Yue
	37	304915378	7 May 2019 – 6 May 2029	Kat Yue

(b) Patent

As at the Latest Practicable Date, our Group was in the process of registering the following patents in the PRC and Hong Kong:

Patent	Applicant	Place of registration	Application number	Application date
An enclosed reclamation method and a reclamation equipment (一種圍封式填海方法及填海裝置)	Kat Yue	PRC	201710067718.6	7 February 2017
An enclosed reclamation method and a reclamation equipment (一種圍封式填海方法及填海裝置)	Kat Yue	Hong Kong	18111117.5	29 August 2018

(c) Domain names

As at the Latest Practicable Date, our Group is the registered owner of the following domain name which is material to the business of our Group:

Registered owner	Domain Name	Duration
Kat Yue	www.yuekanholdings.com	30 January 2019 to 31 December 2021

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

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and Share Offer, but taking no account of any Shares which may be issued pursuant to 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 the 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 the Shares are listed on the Main Board, would 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:

(i) Long position in our Shares

Name	Capacity/Nature	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Sherman Heung	Interest in a controlled corporation *(Note 1)*	1,668,000,000	75%

Note: Mr. Sherman Heung beneficially owns the entire issued share capital of Yue Hang. Therefore, Mr. Sherman Heung is deemed, or taken to be, interested in all the Shares held by Yue Hang for the purpose of the SFO. Mr. Sherman Heung is the sole director of Yue Hang.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and 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 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 the Group:

Name	Capacity/ Nature of interest	Number of Shares held/ interested *(Note 1)*	Percentage of interest
Yue Hang	Beneficial owner	1,668,000,000	75%
Ms. Mok Man Yee Lisa	Interest of spouse *(Note 2)*	1,668,000,000	75%

Notes:

1. All interests stated are long positions.

2. Ms. Mok Man Yee Lisa is the spouse of Mr. Sherman Heung. Therefore, Ms. Mok Man Yee Lisa is deemed, or taken to be, interested in all the Shares in which Mr. Sherman Heung has, or is deemed to have, an interest 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 payable and benefits in kind granted to our Directors by our Group in respect of the years ended 31 May 2017, 2018 and 2019 and 2020 were approximately HK$0.8 million, HK$1.2 million and HK$2.5 million and HK$4.0 million, 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 May 2021 will be approximately HK$2.7 million.

(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$ ('000)
Executive Directors	
Mr. Sherman Heung	1,440
Ms. Lee	660
Mr. Edwin Heung	600
Independent non-executive Directors	
Mr. Chiu Tai Shing	120
Mr. Fung Hoi Fung	120
Mr. Wan Wai Wing	120

4. Fees or commission received

In connection with the Share Offer, the Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until despatch of the Company's consolidated audited financial results for the full financial year after the Listing Date and the Underwriters will receive an underwriting commission of 13% 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 the experts named in the paragraph headed "E. Other Information – 7. Qualifications 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 25 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this appendix:

(a) 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 or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "A. Further information about our Company" in this appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to 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 or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;

(c) none of our Directors or the experts named in the paragraph headed "E. Other information – 8. Consents of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or dispose of by or leased to any member of our Group;

(d) none of our Directors or the experts named in the paragraph headed "E. Other information – 8. 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 the Group taken as a whole;

(e) none of our Directors or the experts named in the paragraph headed "E. Other information – 8. Consents of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(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, the five largest suppliers, or the five largest subcontractors of our Group; and

(g) none of our Directors has any existing or proposed service contracts 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)).

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"	13 November 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 13 November 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 price 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, provided always that 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 new 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 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 222,400,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 222,400,000 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 the 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 core connected persons

(i) Any grant of an option to a Director, chief executive or substantial Shareholder (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;

(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;

(c) 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) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no option 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); and

(b) the deadline for our Company to publish an announcement of our Company's 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 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 and:

(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 creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our 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 of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(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, 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 our 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 (no such certification is required in case of adjustment made on a capitalisation issue), 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 (the "**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 determine. Our Board shall endeavour to procure that the 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), (n), (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) becoming 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 sees 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 alterations 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 or any guidelines issued by the Stock Exchange from time to time.

(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, any Shares to 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 the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for itself and on behalf of its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, 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 instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such liability 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 May 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 and BVI is likely to fall on our Group and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

During the Track Record Period and as the Latest Practicable Date, our Group was involved in one employees' compensation claim, save as aforesaid, our Group has not been involved in any claims, litigation or arbitration of material importance. For details, please refer to the paragraph headed "Business – Legal proceedings and legal compliance" – 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. Sole Sponsor

The Sole 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 which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK$5.1 million to the Sole Sponsor to act as the sponsor to our Company for the purpose of the Share Offer.

4. Independence of the Sole Sponsor

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$33,540 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

Name	**Qualifications**
Red Sun Capital Limited	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Crowe (HK) CPA Limited	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands laws

Name	Qualifications
Ipsos Asia Limited	Industry consultant
Mr. Chan Chung	Barrister-at-law in Hong Kong

As at the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Consents of experts

Each of the above named experts has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it/he is respectively included.

9. 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.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Ocorian Trust (Cayman) Limited (formerly known as Estera Trust (Cayman) Limited) and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfer and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that save as disclosed in the paragraph headed "Financial Information – Recent developments and material adverse change" in this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 May 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

13. Miscellaneous

Save as disclosed in this appendix:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

  (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan 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 (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;

(iv) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(v) 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) 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;

(c) none of the parties named in the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix:

(i) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

(d) our Company and the subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(e) our Directors have been advised that, under Cayman Islands laws, 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 laws;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;

(i) our Group has no outstanding convertible debt securities;

(j) the English text of this prospectus shall prevail over the Chinese text; and

(k) Save as disclosed in the paragraph headed "Underwriting – Public Offer underwriting arrangements, commissions and expenses" in this prospectus, and in the paragraph headed "3. Sole Sponsor" in this appendix, none of the Directors or the experts named in the paragraph headed "E. Other Information – 7. Qualifications 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.

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 (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE** and **YELLOW** Application Forms;

(b) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to in the paragraph headed "Statutory and General Information – E. Other information – 8. Consents of experts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of T. S. Chu Lawyers at Room 1101, 11/F, Shanghai Investment Industrial Building, 48-62 Hennessy 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 of Association and the Articles;

(b) the Accountants' Report of our Group prepared by Crowe (HK) CPA Limited in respect of the historical financial information for the years ended 31 May 2017, 2018, 2019 and 2020, the text of which are set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from Crowe (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of the companies comprising our Group for the years ended 31 May 2017, 2018, 2019 and 2020;

(e) the letter prepared by Appleby, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(f) the service agreements with each of our Directors referred to in the paragraph headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 2. Particulars of service agreements" in Appendix IV to this prospectus;

(g) the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this prospectus;

(h) the written consents referred to in the paragraph headed "Statutory and General Information – E. Other information – 8. Consents of experts" in Appendix IV to this prospectus;

(i) the Companies Law;

(j) the Share Option Scheme;

(k) the market research report issued by Ipsos; and

(l) the legal opinion issued by Mr. Chan Chung, our Legal Counsel.

YUE KAN HOLDINGS LIMITED
裕勤控股有限公司