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## FINANCIAL INFORMATION

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*The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's consolidated financial information as at the end of and for each of FY2018, FY2019, FY2020 and the four months ended 30 April 2021, including the notes thereto, included in Appendix I to this listing document. The consolidated financial information of the Group have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this listing document.*

### OVERVIEW

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

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

During the Track Record Period, we were engaged in both public and private sector projects and the majority of our revenue was derived from public sector projects. In respect of public sector projects, our customers were generally construction contractors which are registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau. During the Track Record Period, the project owners of our public sector projects generally included the CEDD, the Lands Department, the Water Supplies Department, the Architectural Services Department and the Housing Authority. In respect of private sector projects, our customers were generally main contractors engaged by private property owners. As at the Latest Practicable Date, we had 20 projects on hand. For further details, please refer to the paragraph headed "Business – Projects undertaken during the Track Record Period" in this listing document.

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

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We generally procured the materials required for our projects from suppliers based in Hong Kong on our own account. Depending on the contract terms with our subcontractors, materials may be (i) provided by our subcontractors to us at their own costs; or (ii) procured by us on our own account for the use of our subcontractors. We generally require our subcontractors to provide the necessary machinery to be used in their works at their own costs. In general, the subcontractors charged us a fee for the provision of their machinery and such cost is included in our subcontracting expenses. Where the relevant site works were undertaken by our own workers, we would deploy our own machinery or lease the required machinery from our customers or rental service providers.

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

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

#### **Market demand of public sector slope works projects**

A significant portion of our revenue was derived from public sector slope works projects of which the project employers are Government departments and statutory bodies. For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, revenue attributable to public sector projects amounted to approximately HK\$106.0 million, HK\$149.8 million, HK\$239.9 million and HK\$92.1 million, representing approximately 95.3%, 81.5%, 86.9% and 86.8% of our total revenue, respectively.

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

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

We may experience net cash outflows as project up-front costs at the preliminary stage of a project which include installing temporary hoarding, performing site planning and surveying and setting up site offices. Our customers generally make progress payments according to our work progress, and such payments are required to be certified by our customers or their authorised representatives before we issue an invoice to our customers. During the Track Record Period, depending on the scale of the projects, there was generally an average time period of two to six months since we incur up-front costs for the projects up to the time when we receive the first payment from our customers. In addition, our customers may withhold up to 10% of each of our progress payment as retention money and subject to a maximum of 5% of the total contract sum, which will be released to us upon the expiry of the defect liability period. As at 31 December 2018, 2019 and 2020 and 30 April 2021, retention receivables of approximately HK\$1.2 million, HK\$3.4 million, HK\$11.9 million and HK\$11.4 million, respectively were retained by our customers as retention money. Further, our customer may request us to provide performance bond in the amount of certain percentage of the estimated contract sum in favour of our customer, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the paragraph headed "Business – Our customers – Principal terms of engagement" in this listing document.

Accordingly, in normal circumstances, our cash flow gradually turns from net outflows at the early stage of a project into accumulative net inflows as the project progresses. This results in a cash flow gap and in the event that we have more projects at the initial stage or that a substantial amount of retention money from various projects are being withheld by our customers at any given point of time, our liquidity may be materially and adversely affected.

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

Our projects are generally awarded through tender. The contract sum quoted in the tender is determined after evaluation of our scope of work and taking into account (i) the scope of services; (ii) the price trend of the types of materials required; (iii) the complexity of the project; (iv) the estimated number and types of workers required; (v) the estimated number and types of machines required; (vi) the completion time requested by customers; (vii) the availability of our manpower and resources; (viii) subcontracting expenses; and (ix) the prevailing market conditions. For further details on our pricing strategy, please refer to the paragraph headed "Business – Pricing strategy" in this listing document.

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

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There is no assurance that our actual costs incurred will not exceed the estimated costs. The actual amount of costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, difficult geological conditions, shortage and cost escalation of labour and materials, customers' variation orders, accidents, unforeseen site conditions, unanticipated technical problems, departure of key project management and supervision personnel involved, non-performance by our subcontractors, and other unforeseen problems and circumstances. Any under-estimation of costs, delay or other circumstances resulting in cost overruns may adversely affect our profitability, business operation and financial performance.

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

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

Consequentially, our revenue may vary significantly from period to period, and it may be difficult to forecast the volume of our future business. For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, we recorded a tender success rate of approximately 52.9%, 52.4%, 59.3% and 52.6%, respectively. Our tender success rate is affected by a range of factors including our pricing and tender strategy, competitors' tender and pricing strategy, level of competition and our customers' evaluation standards. There is no guarantee that we will be able to achieve a tender success rate similar to those during the Track Record Period in the future.

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

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

Depending on the availability of our labour resources and the types of specialised works involved, we have from time to time subcontracted a portion of our works to subcontractors. For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, we incurred subcontracting expenses of approximately HK\$24.8 million, HK\$43.2 million, HK\$61.2 million and HK\$24.7 million, respectively.

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There is no assurance that the quality of services of our subcontractors can meet the requirements of our Group or our customers. There is no assurance that we are able to monitor the performance of our subcontractors as directly and efficiently as with our direct labour. Therefore, the engagement of subcontractors exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subcontractors. Since we remain accountable to our customers for the performance and quality of services rendered by our subcontractors, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position.

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

### **Fluctuation in our cost of services**

Our cost of services mainly comprise (i) direct labour costs, (ii) subcontracting expenses, and (iii) direct material costs. Our main purchases include subcontracting expenses as well as direct material costs. Please refer to the paragraph headed "Business – Our suppliers" in this listing document for further details on our suppliers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of direct labour costs, subcontracting expenses and direct material costs (being the major components of our costs of services) on our profit before tax during the Track Record Period. The hypothetical fluctuation rates for direct labour costs and subcontracting expenses are set at 0.1% and 8.4%, which correspond to the approximate minimum and maximum percentage changes in the average daily wages of concreters and general workers in Hong Kong, respectively, from 2015 to 2020 as stated in the Industry Report (please refer to the paragraph headed "Industry Overview – Potential challenges – Rising labour cost" in this listing document) and are therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for direct material costs are set at 0.2% and 14.4%, which correspond to the approximate minimum and maximum percentage change for the price of Portland cement, concrete and steel reinforcements (being the major components of our direct material costs) in Hong Kong, respectively, from 2015 to 2020 as stated in the Industry Report (please refer to the paragraph headed "Industry Overview – Potential challenges – Fluctuating cost of materials in Hong Kong" in this listing document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

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<b>Hypothetical fluctuations in our direct labour costs</b>	<b>-0.1%</b>	<b>-8.4%</b>	<b>+0.1%</b>	<b>+8.4%</b>
<b>Increase/(decrease) in profit before income tax (Note)</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018	33	2,741	(33)	(2,741)
FY2019	48	4,017	(48)	(4,017)
FY2020	73	6,160	(73)	(6,160)
Four months ended 30 April 2021	26	2,156	(26)	(2,156)
<b>Hypothetical fluctuations in our subcontracting expenses</b>	<b>-0.1%</b>	<b>-8.4%</b>	<b>+0.1%</b>	<b>+8.4%</b>
<b>Increase/(decrease) in profit before income tax (Note)</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018	25	2,085	(25)	(2,085)
FY2019	43	3,633	(43)	(3,633)
FY2020	61	5,138	(61)	(5,138)
Four months ended 30 April 2021	25	2,071	(25)	(2,071)
<b>Hypothetical fluctuations in our direct material costs</b>	<b>-0.2%</b>	<b>-14.4%</b>	<b>+0.2%</b>	<b>+14.4%</b>
<b>Increase/(decrease) in profit before income tax (Note)</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018	32	2,272	(32)	(2,272)
FY2019	48	3,479	(48)	(3,479)
FY2020	92	6,648	(92)	(6,648)
Four months ended 30 April 2021	45	3,221	(45)	(3,221)

*Note:* Our profit before income tax was approximately HK\$19.1 million, HK\$11.5 million, and HK\$46.2 million and HK\$11.5 million for each of FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively.

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### **BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION**

Please refer to note 1.2 and note 2.1 in the Accountants' Report in Appendix I to this listing document.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

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

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### SUMMARY OF RESULTS OF OPERATIONS

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

	FY2018	FY2019	FY2020	Four months ended	
				2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				30 April	
				(Unaudited)	
Revenue	111,245	183,903	276,006	86,222	106,111
Cost of services	<u>(89,660)</u>	<u>(150,546)</u>	<u>(224,410)</u>	<u>(70,462)</u>	<u>(86,646)</u>
Gross profit	21,585	33,357	51,596	15,760	19,465
Other income, gains and losses, net	(3)	224	4,784	224	794
Administrative expenses	(2,374)	(5,302)	(8,672)	(3,434)	(3,292)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] and related expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	<u>–</u>	<u>(34)</u>	<u>(15)</u>	<u>(5)</u>	<u>(7)</u>
Profit before income tax	19,069	11,476	46,244	12,545	11,527
Income tax expense	<u>(2,975)</u>	<u>(4,610)</u>	<u>(6,894)</u>	<u>(1,896)</u>	<u>(2,569)</u>
Profit and total comprehensive income for the year/period	<u>16,094</u>	<u>6,866</u>	<u>39,350</u>	<u>10,649</u>	<u>8,958</u>

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

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

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



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### Cost of services

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

	FY2018		FY2019		FY2020		Four months ended 30 April				
	HK\$'000	%	HK\$'000	%	HK\$'000	%	2020	2021			
							HK\$'000	%	HK\$'000	%	
	(Unaudited)										
Direct labour costs	32,631	36.4	47,819	31.8	73,332	32.7	21,466	30.5	25,663	29.6	
Subcontracting expenses	24,820	27.7	43,248	28.7	61,163	27.3	19,747	28.0	24,651	28.5	
Direct material costs	15,781	17.6	24,158	16.0	46,165	20.6	17,900	25.4	22,368	25.8	
Site planning and surveying	5,183	5.8	16,745	11.1	18,068	8.1	2,207	3.1	1,494	1.7	
Motor vehicles expenses	2,981	3.3	6,160	4.1	6,565	2.9	2,084	3.0	4,048	4.7	
Machinery rental expenses	2,118	2.4	3,782	2.5	5,722	2.5	2,255	3.2	4,077	4.7	
Testing fee	674	0.8	779	0.5	465	0.2	80	0.1	542	0.6	
Depreciation	566	0.6	579	0.4	1,184	0.5	295	0.4	518	0.6	
Transportation expenses	466	0.5	592	0.4	631	0.3	366	0.5	86	0.1	
Repair and maintenance	307	0.3	267	0.2	528	0.2	347	0.5	61	0.1	
Others	4,133	4.6	6,417	4.3	10,587	4.7	3,715	5.3	3,138	3.6	
<b>Total</b>	<b>89,660</b>	<b>100.0</b>	<b>150,546</b>	<b>100.0</b>	<b>224,410</b>	<b>100.0</b>	<b>70,462</b>	<b>100.0</b>	<b>86,646</b>	<b>100.0</b>	

Our cost of services during the Track Record Period comprised:

- (a) direct labour costs, which were costs of our staff directly involved in the provision of our services, including project management personnel as well as site workers for carrying out site works;
- (b) subcontracting expenses, which were costs of engaging subcontractors for carrying out works undertaken by us. Depending on the availability of our labour resources and the types of specialised works involved, we had from time to time subcontracted a portion of our works to subcontractors;
- (c) direct material costs, which represented costs borne by us for purchasing construction materials required for the performance of works. Our direct material included cement and concrete, steel reinforcement and landscape materials;
- (d) site planning and surveying, which mainly represented costs for engaging engineers who were arranged by our customers for conducting inspection on the site condition and the survey costs for certain slope works processes;
- (e) motor vehicles expenses, which represented costs in relation to the use of our motor vehicles and the cost paid to our customers for arranging transportation during the provision of our slope works for its projects;

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- (f) machinery rental expenses, which mainly represented rental costs for renting machinery necessary for carrying out our slope works;
- (g) testing fee, which represented costs for testing and checking of the construction materials such as concrete and steel related products;
- (h) depreciation, which mainly represented depreciation charges for our machinery and motor vehicles;
- (i) transportation expenses, which mainly represented expenses for transporting construction wastes resulting from our construction works and fees for transporting our construction materials and machinery to work sites;
- (j) repair and maintenance, which mainly represented repair and maintenance expenses for our motor vehicles and machinery; and
- (k) others, which included various miscellaneous expenses relevant to the provision of our works such as insurance, government levy, utility, sundry expenses, etc.

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

### Other income, gains and losses, net

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

	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	Four months ended 30 April	
				2020 HK\$'000	2021 HK\$'000
Bank interest income	–	41	450	223	37
(Loss)/gain on disposal of property, plant and equipment	(4)	182	(5)	–	–
Government grant	–	–	4,332	–	757
Sundry income	1	1	7	1	–
	<u>(3)</u>	<u>224</u>	<u>4,784</u>	<u>224</u>	<u>794</u>

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

- (a) bank interest income, which mainly represented the interest income received from various banks on our short-term bank deposits. During FY2019, FY2020 and the four months ended 30 April 2021, our short-term bank deposits carried interest at 0.50% to 2.77%, 0.35% to 0.50% and 0.25% per annum with a maturity of one month, three months and three months, respectively;
- (b) loss or gain on disposal of property, plant and equipment, which was recognised due to the disposal of our motor vehicles due to replacement during the Track Record Period; and
- (c) government grants, the Group recognised the subsidies of approximately HK\$4.3 million in relation to (i) Construction Industry Anti-epidemic Fund launched by the Construction Industry Council, which offered a one-off subsidy to eligible contractors, subcontractors and consultants of the construction industry; (ii) a one-off subsidy for registered owners of each eligible goods vehicle provided by the Transport Department; and (iii) Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government which offered two tranches of financial support to employers for retaining their employees as part of the relief measures on COVID-19 during FY2020. During the four months ended 30 April 2021, our Group recognised the subsidies of approximately HK\$757,000 in relation to Construction Innovation and Technology Fund launched by the Construction Industry Council and Employment Support Scheme for Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government as part of the relief measures on COVID-19.

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

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### Administrative expenses

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

	FY2018		FY2019		FY2020		Four months ended 30 April			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	FY2020 HK\$'000	%	FY2021 HK\$'000	%
							(Unaudited)			
Staff costs (including directors' emoluments)	1,622	68.3	2,556	48.2	4,556	52.5	1,726	50.3	1,454	44.2
Motor vehicles expenses	244	10.3	306	5.8	312	3.6	81	2.4	150	4.5
Operating lease charges in respect of leased premises	212	8.9	-	-	-	-	-	-	-	-
Legal and professional fees	101	4.3	1,201	22.7	2,980	34.4	1,330	38.7	1,414	43.0
Depreciation	48	2.0	558	10.5	474	5.5	187	5.4	94	2.9
Bank charges	2	0.1	211	4.0	12	0.1	5	0.1	6	0.2
Others	145	6.1	470	8.8	338	3.9	105	3.1	174	5.2
<b>Total</b>	<b>2,374</b>	<b>100.0</b>	<b>5,302</b>	<b>100.0</b>	<b>8,672</b>	<b>100.0</b>	<b>3,434</b>	<b>100.0</b>	<b>3,292</b>	<b>100.0</b>

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Our administrative expenses during the Track Record Period comprised:

- (a) staff costs (including directors' emoluments), which included salaries and benefits provided to our Directors and our administrative and office staff;
- (b) motor vehicle expenses, which represented operating costs in relation to the use of our motor vehicles for administrative purpose;
- (c) operating lease charges in respect of leased premise, which represented rental costs, office management fees and rates in respect of our leased office premises;
- (d) legal and professional fees, which mainly represented professional fees incurred after the GEM Listing such as compliance advisor fee, annual listing fee and auditor's remuneration;
- (e) depreciation, which represented depreciation charges for right-of-use assets, furniture and fixtures and motor vehicles used for administrative purpose;
- (f) bank charges, which represented the charges for banking services such as arrangement fee for bank confirmation and banking facility;
- (g) others, which represented telephone & fax, printing and stationery, entertainment expenses, utilities, etc.

### **Income tax expense**

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, Hong Kong profits tax of A-City Workshop, a subsidiary of our Group, is calculated in accordance with the two-tiered profits tax rates regime.

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

	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	Four months ended 30 April	
				2020 HK\$'000 (Unaudited)	2021 HK\$'000
Profit before income tax	19,069	11,476	46,244	12,545	11,527
Tax at Hong Kong profit tax rate of 16.5%	3,147	1,894	7,630	2,070	1,902
Adjustments:					
Tax effect of non-taxable revenue	–	–	(789)	(37)	(131)
Tax effect of non-deductible expenses	23	2,881	236	28	915
Tax effect of tax losses not recognised	–	–	–	–	58
Effect of two-tiered profits tax rates regime	(165)	(165)	(165)	(165)	(165)
Over provision in respect of prior years	–	–	(18)	–	(10)
Statutory tax concession	(30)	–	–	–	–
Income tax expenses	2,975	4,610	6,894	1,896	2,569

As at 30 April 2021, our Group had unused tax losses of the Company of approximately HK\$58,000, which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Inland Revenue Department.

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

	FY2018	FY2019	FY2020	Four months ended 30 April	
				2020 (Unaudited)	2021
Effective tax rate	15.5%	16.3%	14.5%	15.1%	15.1%

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

#### Four months ended 30 April 2021 compared with four months ended 30 April 2020

##### *Revenue*

Our revenue increased from approximately HK\$86.2 million for the four months ended 30 April 2020 to approximately HK\$106.1 million for the four months ended 30 April 2021, representing an increase of approximately HK\$19.9 million or 23.1%. Such increase in our revenue was mainly due to (i) the increase in the number of projects undertaken by us during the four months ended 30 April 2021; and (ii) an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

	<b>Four months ended 30 April</b>	
	<b>2020</b>	<b>2021</b>
	(Unaudited)	
	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>		
HK\$10.0 million or above	3	4
HK\$5.0 million to below HK\$10.0 million	2	3
HK\$1.0 million to below HK\$5.0 million	7	4
Below HK\$1.0 million	7	12
 Total	19	23

In particular, we were able to commence work for new sizeable projects after April 2020 and contributed our revenue during the four months ended 30 April 2021, namely, (i) Project #05, which contributed approximately HK\$25.9 million to our revenue during the four months ended 30 April 2021; (ii) Project #12, which contributed approximately HK\$21.8 million to our revenue during the four months ended 30 April 2021; (iii) Project #17, which contributed approximately HK\$6.0 million to our revenue during the four months ended 30 April 2021; and (iv) Project #25, which contributed approximately HK\$3.2 million to our revenue during the four months ended 30 April 2021

##### *Cost of services*

Our cost of services increased from approximately HK\$70.5 million for the four months ended 30 April 2020 to approximately HK\$86.6 million for the four months ended 30 April 2021, representing an increase of approximately HK\$16.2 million or 23.0%. Our cost of services mainly includes direct labour costs, subcontracting expenses and direct material costs.

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The following is a discussion of the changes in the key components of our cost of services for the four months ended 30 April 2021 compared to the four months ended 30 April 2020:

- (i) Our direct labour costs increased from approximately HK\$21.5 million for the four months ended 30 April 2020 to approximately HK\$25.7 million for the four months ended 30 April 2021, representing an increase of approximately HK\$4.2 million or 19.6%. Such increase was mainly attributable to the increase in our site workers in order to cope with our business expansion. The monthly average number of site workers during the four months ended 30 April 2021 was 194 while there was only 159 during the four months ended 30 April 2020.
- (ii) Our subcontracting expenses increased from approximately HK\$19.7 million for the four months ended 30 April 2020 to approximately HK\$24.7 million for the four months ended 30 April 2021, representing an increase of approximately HK\$4.9 million or 24.8%. Such increase was generally in line with the increase in our revenue during the four months ended 30 April 2021 as discussed above.
- (iii) Our direct material costs increased from approximately HK\$17.9 million for the four months ended 30 April 2020 to approximately HK\$22.4 million for the four months ended 30 April 2021, representing an increase of approximately HK\$4.5 million or 25.0%. Such increase was mainly attributable to the increase in the amount of materials required as a result of the increase in our revenue for the four months ended 30 April 2021 as discussed above. In particular, we have incurred material costs of approximately HK\$11.9 million for Project #05, Project #12 and Project #17 during the four months ended 30 April 2021, which were substantially performed after April 2020.

### ***Gross profit and gross profit margin***

Our gross profit increased from approximately HK\$15.8 million for the four months ended 30 April 2020 to approximately HK\$19.5 million for the four months ended 30 April 2021, representing an increase of approximately HK\$3.7 million or 23.5%. Such increase was primarily attributable to the increase in our revenue for the four months ended 30 April 2021. Our gross profit margin remained relatively stable at approximately 18.3% for the four months ended 30 April 2020 and 2021.

### ***Other income, gains and losses, net***

Our other income, gains and losses, net increased from approximately HK\$0.2 million for the four months ended 30 April 2020 to approximately HK\$0.8 million for the four months ended 30 April 2021, representing an increase of approximately HK\$0.6 million. Such increase was mainly due to the government grants received by our Group of approximately HK\$0.8 million for the four months ended 30 April 2021.



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### *Administrative expenses*

Our administrative expenses decreased from approximately HK\$3.4 million for the four months ended 30 April 2020 to approximately HK\$3.3 million for the four months ended 30 April 2021 mainly due to the decrease in our staff bonus.

### *Income tax expense*

Our income tax expense increased from approximately HK\$1.9 million for the four months ended 30 April 2020 to approximately HK\$2.6 million for the four months ended 30 April 2021, representing an increase of approximately HK\$0.7 million or 35.5%. The increase was mainly driven by the increase of our profit before income tax (before [REDACTED] and related expenses which is not tax deductible) as a result of all of the aforesaid and in particular the increase in revenue and gross profit.

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

As a result of the aforesaid and the recognition of [REDACTED] and related expenses of approximately HK\$5.4 million for the four months ended 30 April 2021, our profit and total comprehensive income decreased from approximately HK\$10.6 million for the four months ended 30 April 2020 to approximately HK\$9.0 million for the four months ended 30 April 2021.

## **FY2020 compared with FY2019**

### *Revenue*

Our revenue increased significantly from approximately HK\$183.9 million during FY2019 to approximately HK\$276.0 million during FY2020, representing a significant increase of approximately HK\$92.1 million or approximately 50.1%. Such increase in our revenue was primarily due to (i) the increase in the number of projects undertaken by us during FY2020; and (ii) an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

	<b>FY2019</b>	<b>FY2020</b>
	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>		
HK\$10.0 million or above	6	9
HK\$5.0 million to below HK\$10.0 million	2	1
HK\$1.0 million to below HK\$5.0 million	5	8
Below HK\$1.0 million	<u>5</u>	<u>10</u>
<b>Total</b>	<b><u>18</u></b>	<b><u>28</u></b>

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In particular, we were able to secure new sizeable projects during FY2020, namely, (i) Project #03, which contributed approximately HK\$54.9 million to our revenue during FY2020; (ii) Project #02, which contributed approximately HK\$58.1 million to our revenue during FY2020; and (iii) Project #05, which contributed approximately HK\$38.4 million to our revenue during FY2020.

### *Cost of services*

Our cost of services increased from approximately HK\$150.5 million for FY2019 to approximately HK\$224.4 million for FY2020, representing a significant increase of approximately 49.1% or approximately HK\$73.9 million. Our cost of services mainly includes direct labour costs, subcontracting expenses, direct material costs and site planning and surveying expenses.

The following is a discussion of the changes in the key components of our cost of services in FY2020 compared to FY2019:

- (i) Our direct labour costs increased from approximately HK\$47.8 million for FY2019 to approximately HK\$73.3 million for FY2020, representing an increase of approximately 53.4%. Such increase was mainly attributable to the increase in the headcount of our workers, including our project management team and site workers, in order to cope with our business expansion. In 2020, we have recruited four site foreman, one assistant foreman and one labour officer to enhance our project management team. In addition, the monthly average number of site workers in FY2020 was 183 while there was only 111 in FY2019.
- (ii) Our subcontracting expenses increased from approximately HK\$43.2 million for FY2019 to approximately HK\$61.2 million for FY2020, representing an increase of approximately 41.4%. Such increase was in line with the increase in our revenue during FY2020 as discussed above.
- (iii) Our direct material costs increased from approximately HK\$24.2 million for FY2019 to approximately HK\$46.2 million for FY2020, representing an increase of approximately 91.1%. Such increase was mainly attributable to the increase in the amount of materials required as a result of the increase in our revenue for FY2020 as discussed above. In particular, we have incurred a relatively higher amount of materials costs of approximately HK\$14.1 million for Project #03 due to its project specifications, which was awarded to our Group in January 2020.
- (iv) Our site planning and surveying expenses slightly increased from approximately HK\$16.7 million for FY2019 to approximately HK\$18.1 million for FY2020, representing an increase of approximately 7.9%. Such increase was mainly due to the increase in the number of our sizeable projects while the less-than-proportionate increase in our site planning and surveying costs as compared to the increase in revenue was mainly due to the increase in the use of our own staff for conducting site inspection instead of engaging engineers who were arranged by our customers for smaller size projects.

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### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$33.4 million for FY2019 to approximately HK\$51.6 million for FY2020, representing a significant increase of approximately HK\$18.2 million or 54.7%. Such increase in gross profit was mainly due to the increase in our revenue. Our gross profit margin in FY2020 remained relatively stable at approximately 18.7% in FY2020 as compared to approximately 18.1% in FY2019, respectively.

### *Other income, gains and losses, net*

Our other income, gains and losses, net increased from approximately HK\$0.2 million for FY2019 to approximately HK\$4.8 million for FY2020, representing an increase of approximately HK\$4.6 million or 2,035.7%. Such increase was primarily attributable to the government grants received by our Group of approximately HK\$4.3 million mainly in relation to the Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund which offered two tranches of financial support to employers for retaining their employees during FY2020.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$3.4 million or 63.6% from approximately HK\$5.3 million for FY2019 to approximately HK\$8.7 million for FY2020. Such increase in administrative expenses was mainly contributed by (i) the increase in Directors' salaries and allowance of approximately HK\$1.4 million mainly due to (a) the addition of independent non-executive Directors of approximately HK\$0.4 million and (b) the recognition of the effort of executive Directors for our business growth in FY2020 of approximately HK\$1.0 million, and (ii) an increase in legal and professional fees of approximately HK\$1.8 million such as compliance adviser fee, legal adviser fee, auditor's remuneration and annual listing fee.

### *Income tax expense*

Our income tax expenses increased from approximately HK\$4.6 million for FY2019 to approximately HK\$6.9 million for FY2020, representing an increase of approximately HK\$2.3 million or 49.5%. The increase was primarily driven by the increase of our profit before income tax as a result of all of the aforesaid and in particular the increase in revenue and gross profit.

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

As a result of the aforesaid as well as the decrease in the [REDACTED] in relation to the GEM Listing from approximately HK\$[REDACTED] for FY2019 to [REDACTED] for FY2020, our profit and total comprehensive income for the year increased by approximately HK\$32.5 million or 473.1% from approximately HK\$6.9 million for FY2019 to approximately HK\$39.4 million for FY2020.

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### FY2019 compared with FY2018

#### *Revenue*

Our revenue increased significantly from approximately HK\$111.2 million during FY2018 to approximately HK\$183.9 million during FY2019, representing an increase of approximately HK\$72.7 million or approximately 65.3%. Such increase in our revenue was primarily due to (i) the increase in the number of projects undertaken by us during FY2019; and (ii) an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

	<b>FY2018</b>	<b>FY2019</b>
	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>		
HK\$10.0 million or above	4	6
HK\$5.0 million to below HK\$10.0 million	2	2
HK\$1.0 million to below HK\$5.0 million	6	5
Below HK\$1.0 million	4	5
 Total	16	18

In particular, we were able to secure new sizeable projects during FY2019, namely, (i) Project #08, which contributed approximately HK\$18.0 million to our revenue during FY2019; and (ii) Project #07, which contributed approximately HK\$28.8 million to our revenue during FY2019.

In addition, we derived a higher amount of revenue from two projects (i.e. Project #01 and Project #06, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this listing document) that were ongoing in both FY2018 and FY2019, which was due to our actual work progress under the relevant contracts as certified by our customers:

Project	Date of commencement of works	Actual or expected date of completion of works	Amount of revenue recognised	
			FY2018	FY2019
			<i>HK\$'000</i>	<i>HK\$'000</i>
Project #01	November 2017	April 2020	28,556	48,546
Project #06	November 2018	January 2020	447	26,419

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### *Cost of services*

Our cost of services increased from approximately HK\$89.7 million for FY2018 to approximately HK\$150.5 million for FY2019, representing an increase of approximately 67.9%. Our cost of services mainly includes direct labour costs, subcontracting expenses, direct material costs and site planning and surveying expenses.

The following is a discussion of the changes in the key components of our cost of services in FY2019 compared to FY2018:

- (i) Our direct labour costs increased from approximately HK\$32.6 million for FY2018 to approximately HK\$47.8 million for FY2019, representing an increase of approximately 46.5%. Such increase was mainly attributable to the increase in our project management team and site workers in order to cope with our business expansion. The monthly average number of site workers in FY2019 was 111 while there was only 79 in FY2018.
- (ii) Our subcontracting expenses increased from approximately HK\$24.8 million for FY2018 to approximately HK\$43.2 million for FY2019, representing an increase of approximately 74.2%. Such increase was mainly attributable to the increase in the amount of works outsourced to subcontractors for carrying out site work as a result of our growth in business during FY2019. Depending on the availability of our labour resources and the types of specialised works involved, we may from time to time engage subcontractors to perform certain slope works. We engaged our subcontractors mainly for performing soil nail works, shotcreting works and landscape works. In particular, we have increased the use of our subcontractor for Project #07 and Project #08 having considered the availability of our own labour resources.
- (iii) Our direct material costs increased from approximately HK\$15.8 million for FY2018 to approximately HK\$24.2 million for FY2019, representing an increase of approximately 53.1%. Such increase was mainly due to the increase in our revenue. In particular, in line with the size of the projects, substantial amount of materials were purchased by our Group in relation to those projects that we undertook substantial works in FY2019, namely Project #01 and Project #07.
- (iv) Our site planning and surveying expenses increased from approximately HK\$5.2 million for FY2018 to approximately HK\$16.7 million for FY2019, representing an increase of approximately 223.1%. We would generally conduct certain site preparation works which typically include installing temporary hoarding, performing site planning and surveying and setting up site offices. Such increase was mainly due to the increase in the use of engineers who were arranged by our customer for inspection on sites condition and surveying services for two projects, namely Project #13 and Project #07. Such two projects were commenced in early 2019.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$11.8 million or 54.5%, from approximately HK\$21.6 million for FY2018 to approximately HK\$33.4 million for FY2019, which was mainly due to the increase in our revenue as discussed above. Our gross profit margin slightly decreased from approximately 19.4% for FY2018 to approximately 18.1% for FY2019, which was because we undertook works for two relatively lower gross profit margin projects during FY2019, namely, Project #07 and Project #08. We have increased the use of our subcontractors for Project #07 and Project #08 having considered the availability of our own labour resources, resulting in the lower gross profit margin of the aforesaid projects. Our Directors consider that holding all else the same, the engagement of subcontractors would generally lead to a lower profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

### *Other income, gains and losses, net*

Our other income, gains and losses, net turned from approximately a loss of approximately HK\$3,000 for FY2018 to a gain of approximately HK\$0.2 million for FY2019. Such difference was mainly due to the gains on disposal of property, plant and equipment of approximately HK\$0.2 million during FY2019.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$2.9 million or 123.3% from approximately HK\$2.4 million for FY2018 to approximately HK\$5.3 million for FY2019. Such increase in administrative expenses was mainly contributed by (i) the increase in staff costs as a result of the increase of our finance and administrative staff in relation to the increased administrative works in the preparation of the GEM Listing and the general increment in salaries for our Directors and finance and administration staff, and (ii) an increase in bank charges for arranging banking facilities to support our daily operation, depreciation expenses and professional fee such as auditor's remuneration, annual internal control review and safety audit.

### *Income tax expense*

Our income tax expenses increased from approximately HK\$3.0 million for FY2018 to approximately HK\$4.6 million for FY2019, representing an increase of approximately HK\$1.6 million or 55.0%. Such increase was primarily attributable to the increase in the tax effect of non-deductible expenses of approximately HK\$2.9 million during FY2019, while such increase was partially offset by the decrease in profit before income tax.

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

Our profit and total comprehensive income for the year decreased from approximately HK\$16.1 million for FY2018 to approximately HK\$6.9 million for FY2019 as a result of all of the aforesaid and the increase in our [REDACTED] in relation to the GEM Listing from approximately HK\$[REDACTED] for FY2018 to approximately HK\$[REDACTED] for FY2019.

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### LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 July 2021, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately HK\$109.0 million and we had no unutilised banking facilities.

#### Cash flows

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

	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	Four months ended 30 April	
				2020 HK\$'000	2021 HK\$'000
				(Unaudited)	
Operating profit before working capital changes	19,687	12,424	47,529	12,809	12,109
Change in working capital	(6,307)	(6,959)	(18,224)	(27,784)	(25,092)
Income tax paid	(6,164)	–	(9,956)	(4,621)	–
Net cash generated from/(used in) operating activities	7,216	5,465	19,349	(19,596)	(12,983)
Net cash used in investing activities	(3,962)	(1,843)	(2,115)	(1,423)	(205)
Net cash (used in)/generated from financing activities	(2,000)	50,645	(404)	(164)	(93)
Net increase/(decrease) in cash and cash equivalents	1,254	54,267	16,830	(21,183)	(13,281)
Cash and cash equivalents at the beginning of year/period	11,180	12,434	66,701	66,701	83,531
Cash and cash equivalents at the end of year/period	12,434	66,701	83,531	45,518	70,250

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### *Cash flows from operating activities*

Our operating cash inflow is primarily derived from our revenue from undertaking slope works, whereas our operating cash outflow mainly includes payment for staff costs, subcontracting expenses, purchase of construction materials as well as other working capital needs.

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for depreciation, loss/(gain) on disposal of property, plant and equipment, written-off of property, plant and equipment, interest expense on bank overdrafts, finance charges on lease liabilities, interest income and the effect of changes in working capital such as changes in contract assets, trade and other receivables and trade and other payables.

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

	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	Four months ended 30 April	
				2020 HK\$'000	2021 HK\$'000
				(Unaudited)	
Profit before income tax	19,069	11,476	46,244	12,545	11,527
Adjustments for:					
Depreciation	614	1,137	1,658	482	612
Loss/(gain) on disposal of property, plant and equipment	4	(182)	5	–	–
Written-off of property, plant and equipment	–	–	57	–	–
Interest expense on bank overdrafts	–	4	–	–	–
Finance charges on lease liabilities	–	30	15	5	7
Interest income	–	(41)	(450)	(223)	(37)
Operating profit before working capital changes	19,687	12,424	47,529	12,809	12,109
Increase in contract assets	(6,129)	(4,065)	(29,576)	(34,742)	(18,174)
(Increase)/decrease in trade and other receivables	(2,197)	(9,854)	(5,534)	(1,744)	5,609
Increase/(decrease) in trade and other payables	2,019	6,960	16,886	8,702	(12,527)
Cash generated from/(used in) operations	13,380	5,465	29,305	(14,975)	(12,983)
Income tax paid	(6,164)	–	(9,956)	(4,621)	–
Net cash generated from/(used in) operating activities	<u>7,216</u>	<u>5,465</u>	<u>19,349</u>	<u>(19,596)</u>	<u>(12,983)</u>



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For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, the respective differences between our profit before income tax and net cash generated from operating activities were mainly due to the changes in working capital needs in our projects, in particular the amount and timing of billing to and receipts from our customers as well as the amount and timing of payment to our suppliers. We did not incur cash outflow for tax paid in FY2019 and the four months ended 30 April 2021 because we have settled the final tax for 2018/19 and provisional tax for 2019/20 in January 2020 according to the notice of assessment issued by the Inland Revenue Department in December 2019 and settled the final tax for 2019/20 and provisional tax for 2020/21 in late 2020.

### *Cash flows from investing activities*

	FY2018	FY2019	FY2020	Four months ended	
				30 April	
	HK\$'000	HK\$'000	HK\$'000	2020	2021
				HK\$'000	HK\$'000
				(Unaudited)	
Interest received	–	41	450	223	37
Purchase of property, plant and equipment	(306)	(2,073)	(2,570)	(523)	(242)
Proceeds from disposal of property, plant and equipment	50	189	5	–	–
Deposit paid for purchase of property, plant and equipment	–	–	–	(1,123)	–
Advances to directors	(3,706)	–	–	–	–
Net cash used in investing activities	<u>(3,962)</u>	<u>(1,843)</u>	<u>(2,115)</u>	<u>(1,423)</u>	<u>(205)</u>

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

For FY2018, we recorded net cash used in investing activities of approximately HK\$4.0 million, which was mainly due to the cash advances by us to Mr. Sieh and Mr. Ho as their personal saving originally and subsequently reinvested such amount to our Group in FY2019 having considered the working capital needs for the Group's operation and the purchase of motor vehicles and the renovation of our office.

For FY2019, we recorded net cash used in investing activities of approximately HK\$1.8 million, which was mainly due to the purchase of motor vehicles, plant and machinery, and furniture and fixtures.

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For FY2020, we recorded net cash used in investing activities of approximately HK\$2.1 million, which was mainly due to the purchase of plant and machinery and motor vehicles.

For the four months ended 30 April 2020, we recorded net cash used in investing activities of approximately HK\$1.4 million, which was mainly due to the deposit paid for purchase of motor vehicles and air compressors and the purchase of a motor vehicle and an air compressor.

For the four months ended 30 April 2021, we recorded net cash used in investing activities of approximately HK\$0.2 million, which was mainly due to the purchase of a pneumatic drill and a survey equipment.

### *Cash flows from financing activities*

	FY2018	FY2019	FY2020	Four months ended	
				30 April	
	HK\$'000	HK\$'000	HK\$'000	2020	2021
				HK\$'000	HK\$'000
				(Unaudited)	
Interest paid	–	(34)	(15)	(5)	(7)
Proceeds from issuance of share capital	–	60,000	–	–	–
Share issuance expenses	(2,000)	(3,916)	–	–	–
Payment of lease liabilities	–	(474)	(389)	(163)	(86)
Advances from a director	–	–	–	4	–
Repayment to the Directors	–	(4,931)	–	–	–
Net cash (used in)/generated from financing activities	<u>(2,000)</u>	<u>50,645</u>	<u>(404)</u>	<u>(164)</u>	<u>(93)</u>

During the Track Record Period, our cash inflows from financing activities primarily include proceeds from issuance of share capital and advances from a director, whereas our cash outflows from financing activities primarily includes interest paid, share issuance expenses, payment of lease liabilities and repayment to the Directors.

For FY2018, we recorded net cash used in financing activities of approximately HK\$2.0 million, which was attributable to the payment of [REDACTED] in relation to the GEM Listing in FY2018.

For FY2019, we recorded net cash generated from financing activities of approximately HK\$50.6 million, which was mainly due to the [REDACTED] of HK\$[REDACTED] from issuance of share capital in the GEM Listing, while such net cash inflow was partially offset by the repayments to our Directors of approximately HK\$4.9 million and the payment of share issuance expenses of approximately HK\$3.9 million in relation to the GEM Listing in FY2019.

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For FY2020, we recorded net cash used in financing activities of approximately HK\$0.4 million, which was attributable to the payment of lease liabilities.

For the four months ended 30 April 2020, we recorded net cash used in financing activities of approximately HK\$0.2 million, which was primarily attributable to the payment of lease liabilities.

For the four months ended 30 April 2021, we recorded net cash used in financing activities of approximately HK\$93,000, which was primarily attributable to the payment of lease liabilities.

### Capital Expenditure

The following table sets forth our Group's capital expenditure for the periods indicated:

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>Four months ended 30 April 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	95	–	66	–
Furniture and fixtures	24	306	22	80
Plant and machinery	–	376	2,368	162
Motor vehicles	187	668	1,024	–
	<u>306</u>	<u>1,350</u>	<u>3,480</u>	<u>242</u>

Our capital expenditures amounted to approximately HK\$0.3 million, HK\$1.4 million, HK\$3.5 million and HK\$0.2 million for FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively. Our capital expenditures on leasehold improvements amounted to approximately HK\$95,000 and HK\$66,000 for the renovation of our office during FY2018 and FY2020, respectively. Our capital expenditure on furniture and fixtures amounted to approximately HK\$24,000, HK\$0.3 million, HK\$22,000 and HK\$80,000 during FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively, which mainly included the purchase of computers. Our capital expenditure on plant and machinery amounted to approximately HK\$0.4 million, HK\$2.4 million and HK\$0.2 million during FY2019 and FY2020 and the four months ended 30 April 2021, respectively, which included the purchase of drilling rigs, grout pumps, shotcrete machine, pneumatic drill, crane truck, air compressor and generators. Our capital expenditure on motor vehicles amounted to approximately HK\$0.2 million, HK\$0.7 million and HK\$1.0 million during FY2018, FY2019 and FY2020, respectively.

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### WORKING CAPITAL

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

### NET CURRENT ASSETS

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

	As at 31 December			As at 30 April	As at 31 July
	2018	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
<b>Current assets</b>					
Contract assets	17,133	21,198	50,494	68,668	34,393
Trade and other receivables	8,932	16,744	22,311	16,702	15,055
Cash and bank balances	<u>12,434</u>	<u>66,701</u>	<u>83,531</u>	<u>70,250</u>	<u>109,015</u>
	<u>38,499</u>	<u>104,643</u>	<u>156,336</u>	<u>155,620</u>	<u>158,463</u>
<b>Current liabilities</b>					
Trade and other payables	7,576	14,536	31,362	18,835	9,853
Amounts due to directors	4,931	–	–	–	–
Lease liabilities	–	329	260	264	267
Current tax liabilities	<u>883</u>	<u>5,424</u>	<u>2,160</u>	<u>4,726</u>	<u>6,700</u>
	<u>13,390</u>	<u>20,289</u>	<u>33,782</u>	<u>23,825</u>	<u>16,820</u>
<b>Net current assets</b>	<u><u>25,109</u></u>	<u><u>84,354</u></u>	<u><u>122,554</u></u>	<u><u>131,795</u></u>	<u><u>141,643</u></u>

Our net current assets increased from approximately HK\$25.1 million as at 31 December 2018 to approximately HK\$84.4 million as at 31 December 2019, which was mainly attributable to the net [REDACTED] from the GEM Listing.

Our net current assets increased to approximately HK\$122.6 million as at 31 December 2020, which was mainly due to the increase in current assets of approximately HK\$51.7 million, in particular, the increase in contract assets and cash and bank balances.

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## FINANCIAL INFORMATION

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Our net current assets further increased to approximately HK\$131.8 million as at 30 April 2021, which was mainly due to the decrease in current liabilities of approximately HK\$10.0 million, in particular, the decrease in trade and other payables.

As at 31 July 2021, being the latest practicable date for ascertaining our net current assets position, our net current assets increase from approximately HK\$131.8 million as at 30 April 2021 to approximately HK\$141.6 million as at 31 July 2021. Such increase was mainly due to the decrease in our current liabilities of approximately HK\$7.0 million, in particular, the decrease in our trade and other payables.

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

#### Property, plant and equipment

Our Group's property, plant and equipment mainly consist of (i) right-of-use assets in relation to the building, (ii) leasehold improvements, (iii) furniture and fixtures, (iv) plant and machinery, and (v) motor vehicles. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our property, plant and equipment amounted to approximately HK\$1.6 million, HK\$2.7 million, HK\$4.9 million and HK\$4.6 million, respectively.

The increase in our property, plant and equipment from approximately HK\$1.6 million as at 31 December 2018 to approximately HK\$2.7 million as at 31 December 2019 was mainly contributed by the combined effect of (i) the initial application of HKFRS 16 for the right-of-use assets in relation to our office of approximately HK\$0.8 million; (ii) depreciation charges of HK\$1.1 million; and (iii) the addition of furniture and fixtures, plant and machinery and motor vehicles of approximately HK\$1.4 million, in aggregate, during FY2019.

The increase in our property, plant and equipment to approximately HK\$4.9 million as at 31 December 2020 was mainly contributed by the combined effect of (i) depreciation charges of HK\$1.7 million; (ii) right-of-use assets in relation to our office of approximately HK\$0.5 million; and (iii) the addition of plant and machinery and motor vehicles of approximately HK\$2.4 million and HK\$1.0 million, respectively, during FY2020.

Our property, plant and equipment remained relatively stable at HK\$4.6 million as at 30 April 2021.

#### Contract assets

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

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## FINANCIAL INFORMATION

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Our Group's contract assets are analysed as follows:

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>	As at 30 April 2021 <i>HK\$'000</i>
Unbilled revenue	15,927	17,847	38,573	57,274
Retention receivables	1,206	3,351	11,921	11,394
	17,133	21,198	50,494	68,668

### *Unbilled revenue*

Our unbilled revenue increased from approximately HK\$15.9 million as at 31 December 2018 to approximately HK\$17.8 million as at 31 December 2019. Such increase was mainly due to the increase in the number of contract works that the relevant services were completed but were not yet certified as at 31 December 2019. In particular, some of the works of our major projects were performed close to the end of FY2019 and such works were not yet certified as at 31 December 2019, including Project #07, Project #09, Project #01 and Project #08, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this listing document, resulting in the increase in the contract assets as at 31 December 2019 as compared to that as at 31 December 2018. Out of approximately HK\$17.8 million of unbilled revenue as at 31 December 2019, approximately HK\$12.0 million was related to the aforesaid projects.

Our unbilled revenue further increased to approximately HK\$38.6 million as at 31 December 2020. Such increase was mainly due to the increase in the number of contract works that the relevant services were completed but were not yet certified as at 31 December 2020. In particular, some of the works of our major projects were performed close to the end of FY2020 and such works were not yet certified as at 31 December 2020, including Project #02, Project #03, Project #10 and Project #12, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this listing document, resulting in the increase in the contract assets as at 31 December 2020 as compared to that in 2019. Out of approximately HK\$38.6 million of unbilled revenue as at 31 December 2020, approximately HK\$30.3 million was related to the aforesaid projects.

Our unbilled revenue further increased to approximately HK\$57.3 million as at 30 April 2021. Such increase was mainly due to the increase in the number of contract works that the relevant services were completed but were not yet certified as at 30 April 2021, including Project #02, Project #05, Project #12 and Project #17, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this listing document, resulting in the increase in the contract assets as at 30 April 2021. Out of approximately HK\$57.3 million of unbilled revenue as at 30 April 2021, approximately HK\$41.5 million was related to the aforesaid projects.

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As at 31 December 2018, 2019 and 2020 and 30 April 2021, the ECL rate for contract assets were 0.26%, nil, nil and 0.01%, respectively. The ECL rate as at 31 December 2018 was mainly attributable to the unbilled revenue from the first project awarded by Geotech Engineering Limited to our Group in 2018 (i.e. Project #20) which had a relatively long aging as at 31 December 2018 and all unbilled revenue as at 31 December 2018 for Project #20 had been billed and settled during FY2019. The ECL rate for trade receivable and contract assets as at 31 December 2019 and 2020 were nil mainly because the default rates of the trade receivable and contract assets as at 31 December 2019 and 2020 were insignificant in view of their recoverability. During the Track Record Period and up to the Latest Practicable Date, our Group has not written off any unbilled revenue. During the Track Record Period, our Group did not reverse any revenue or unbilled revenue.

The following is a breakdown of the Group's unbilled revenue as at 31 December 2018, 2019 and 2020 and 30 April 2021 by projects:

Project code	As at 31 December			As at
	2018	2019	2020	30 April
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Project #01	3,557	2,900	–	–
Project #02	–	–	7,038	11,353
Project #03	–	–	13,335	3,816
Project #04	3,768	–	–	–
Project #05	–	–	1,000	6,281
Project #06	447	1,941	1,382	–
Project #07	–	4,511	–	–
Project #08	–	2,897	–	–
Project #09	–	1,703	–	–
Project #10	–	–	3,051	3,027
Project #11	2,525	–	–	–
Project #12	–	–	2,853	17,746
Project #13	–	2,075	712	1,297
Project #15	–	70	–	–
Project #16	993	350	350	–
Project #17	–	–	4,062	6,130
Project #19	197	–	–	–
Project #22	1,953	–	–	–
Project #25	–	–	–	3,072
Project #27	–	1,400	2,347	–
Other projects	2,487	–	2,443	4,552
	<u>15,927</u>	<u>17,847</u>	<u>38,573</u>	<u>57,274</u>

## FINANCIAL INFORMATION

The following is an aging analysis of unbilled revenue as at 31 December 2018, 2019 and 2020 and a breakdown of our Group's subsequent billing of our unbilled revenue as at 31 December 2018, 2019 and 2020, 30 April 2021 and up to the Latest Practicable Date:

	Subsequent billing of the unbilled revenue as at 31 December 2018 up to the Latest Practicable Date		Subsequent billing of the unbilled revenue as at 31 December 2019 up to the Latest Practicable Date		Subsequent billing of the unbilled revenue as at 31 December 2020 up to the Latest Practicable Date		Subsequent billing of the unbilled revenue as at 30 April 2021 up to the Latest Practicable Date	
	Unbilled revenue as at 31 December 2018	December 2018 up to the Latest Practicable Date	Unbilled revenue as at 31 December 2019	December 2019 up to the Latest Practicable Date	Unbilled revenue as at 31 December 2020	December 2020 up to the Latest Practicable Date	Unbilled revenue as at 30 April 2021	December 2021 up to the Latest Practicable Date
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-30 days	14,129	14,129	15,545	15,545	31,589	31,452	28,102	27,691
31-60 days	1,798	1,798	802	802	4,829	4,829	28,054	28,054
61-180 days	–	–	1,500	1,500	2,155	2,155	1,118	606
Total	<u>15,927</u>	<u>15,927</u>	<u>17,847</u>	<u>17,847</u>	<u>38,573</u>	<u>38,436</u>	<u>57,274</u>	<u>56,351</u>

### *Subsequent settlement of unbilled revenue*

Up to the Latest Practicable Date, 98.4% or HK\$56.4 million of our unbilled revenue as at 30 April 2021 had been certified and billed and 99.5% of these subsequently certified and billed amount had been settled.

### *Retention receivables*

Depending on the contract terms and negotiation with our customers, our customers may hold up a certain percentage of each payment made to us as retention money. Retention money is normally up to 10% of the value of works done and subject to a maximum of 5% of the total contract sum. Typically, the retention money is released upon the expiry of the defect liability period of 12 months following the completion date of the project.

Our retention receivables increased from approximately HK\$1.2 million as at 31 December 2018 to approximately HK\$3.4 million as at 31 December 2019 and further increased to approximately HK\$11.9 million as at 31 December 2020. Such increase was primarily attributable to the retention receivables from our sizeable projects undertaken during FY2019. The increase in our retention receivables in FY2020 mainly because we have paid performance bonds of HK\$8.0 million to a customer for Project #02 and Project #12 to securing our due performance of such projects. Our retention receivable maintained relatively stable at HK\$11.4 million as at 30 April 2021 when compared to HK\$11.9 million as at 31 December 2020. During the Track Record Period and up to the Latest Practicable Date, our Group has not written off any retention receivables.



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## FINANCIAL INFORMATION

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### Trade and other receivables

Our trade and other receivables as at 31 December 2018, 2019 and 2020 and 30 April 2021 amounted to approximately HK\$8.9 million, approximately HK\$16.7 million, approximately HK\$22.3 million and approximately HK\$16.7 million, respectively. The following table sets forth a breakdown of our trade and other receivables:

	As at 31 December			As at
	2018	2019	2020	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,975	10,569	18,713	14,251
Prepayments	4,108	1,988	2,788	1,546
Deposits	849	4,910	810	905
	8,932	17,467	22,311	16,702
Less: non-current portion				
Deposits paid for acquisition of property, plant and equipment	–	(723)	–	–
	8,932	16,744	22,311	16,702

### *Trade receivables*

Our trade receivables increased from approximately HK\$4.0 million as at 31 December 2018 to approximately HK\$10.6 million as at 31 December 2019, further increased to approximately HK\$18.7 million as at 31 December 2020. Such increase was mainly due to our business growth as evidenced by our increase in revenue from approximately HK\$111.2 million for FY2018 to approximately HK\$183.9 million and HK\$276.0 million for FY2019 and FY2020, respectively. Our trade receivables decreased to approximately HK\$14.3 million as at 30 April 2021, which was mainly due to the difference in timing of payments from our customers as at the respective reporting dates.

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## FINANCIAL INFORMATION

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### *Trade receivables and contract assets turnover days*

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

	FY2018	FY2019	FY2020	<b>Four months ended 30 April 2021</b>
Trade receivables turnover days ( <i>note 1</i> )	11.0 days	14.4 days	19.4 days	18.6 days
Trade receivables and contract assets turnover days ( <i>note 2</i> )	57.2 days	52.5 days	66.9 days	86.0 days

*Note:*

1. Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including other receivables) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2018 and FY2019, 366 days for FY2020 and 120 days for the four months ended 30 April 2021).
2. Trade receivables and contract assets turnover days is calculated based on the average of the beginning and ending balance of trade receivables and contract assets divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2018 and FY2019, 366 days for FY2020 and 120 days for the four months ended 30 April 2021).

Our trade receivables turnover days were approximately 11.0 days, 14.4 days, 19.4 days and 18.6 days for FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively. The trade receivables turnover days during the Track Record Period were in line with our credit period that we granted to customers (i.e., 30 to 60 days from the invoice date)

Our trade receivables and contract assets turnover days amounted to approximately 57.2 days, 52.5 days, 66.9 days and 86.0 days for FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively. The increasing trend in our trade receivables and contract assets turnover days during the Track Record Period was mainly due to the increase in our contract assets, in particular, the increase in our unbilled receivables as a result of our business growth during the Track Record Period.

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

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

	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>	<b>As at 31 December 2020 HK\$'000</b>	<b>As at 30 April 2021 HK\$'000</b>
0-30 days	3,856	10,569	12,496	–
31-90 days	–	–	6,217	14,251
91-365 days	119	–	–	–
	<u>3,975</u>	<u>10,569</u>	<u>18,713</u>	<u>14,251</u>

Note: Our Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the ECL rate for trade receivables were 0.26%, nil, nil and 0.01%, respectively. The ECL rate for trade receivable and contract assets as at 31 December 2019 and 2020 were nil mainly because the default rates of the trade receivable and contract assets as at 31 December 2019 and 2020 were insignificant in view of their recoverability.

As at the Latest Practicable Date, all of our trade receivables as at 30 April 2021 had been settled:

	<b>As at 30 April 2021 HK\$'000</b>	<b>Subsequent settlement up to the Latest Practicable Date HK\$'000</b>	<b>%</b>
31-90 days	14,251	14,251	100.0
Total	<u>14,251</u>	<u>14,251</u>	<u>100.0</u>

### *Prepayments*

Our prepayments decreased from approximately HK\$4.1 million as at 31 December 2018 to approximately HK\$2.0 million as at 31 December 2019, which was mainly due to the decrease in prepaid [REDACTED] in relation to the GEM Listing of approximately HK\$[REDACTED] during FY2019.

Our prepayments increased to approximately HK\$2.8 million as at 31 December 2020, which was mainly due to the increase in the prepaid [REDACTED] expenses of approximately HK\$[REDACTED] for FY2020.

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## FINANCIAL INFORMATION

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Our prepayments decreased to approximately HK\$1.5 million as at 30 April 2021, which was mainly due to (i) the decrease in prepaid [REDACTED] expenses as at 30 April 2021 of approximately HK\$[REDACTED] as compared to 31 December 2020, and (ii) the decrease in prepaid expenses for insurance covered in sites operation and machinery rentals expenses of approximately HK\$0.2 million for the four months ended 30 April 2021.

### *Deposits*

Our deposits (current portion) mainly comprised of performance bond and deposits for utility, rental, purchase of materials and other expenses. Our deposits (current portion) increased from approximately HK\$0.8 million as at 31 December 2018 to approximately HK\$4.9 million as at 31 December 2019, and decreased to approximately HK\$0.8 million and HK\$0.9 million as at 31 December 2020 and 30 April 2021, respectively. Such fluctuation was mainly due to the pledged deposit paid to an insurance company in relation to a performance bond amounted to approximately HK\$3.1 million during FY2019.

Our deposits (non-current portion) represent the deposits paid for the acquisition of property, plant and equipment, which amounted to nil, approximately HK\$0.7 million, nil and nil as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively.

### **Performance bond**

As at 31 December 2019, certain performance bonds totalling HK\$9,000,000 was issued by an insurance company in favour of our Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and our customers. Such arrangement serves to secure our due and timely performance of work and compliance with the contract. If we fail to perform according to the requirements in the contract, our customer would be entitled to the guaranteed compensation for any monetary loss up to the amount of the performance bond.

The performance bonds were secured by (i) corporate guarantees given by our Company; and (ii) a pledged deposit in the sum of HK\$3,100,000 (as included in the current portion of the deposits) placed by A-City Workshop with the insurance company for the year ended 31 December 2019, the deposit of performance bond was released during FY2020.

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### Trade and other payables

Our trade and other payables as at 31 December 2018, 2019 and 2020 and 30 April 2021 amounted to approximately HK\$7.6 million, HK\$14.5 million, HK\$31.4 million and HK\$18.8 million, respectively. The following table sets forth a breakdown of our trade and other payables:

	<b>As at 31 December 2018</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2020</b>	<b>As at 30 April 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7,226	12,286	28,324	16,967
Accruals and other payables	350	2,250	2,300	1,868
Deferred government grant ( <i>Note</i> )	—	—	738	—
	<u>7,576</u>	<u>14,536</u>	<u>31,362</u>	<u>18,835</u>

*Note:* The deferred government grant mainly represented the grant in relation to Employee Support Scheme for the Construction sector (Casual Employees) under Anti-epidemic Fund provided by the Government.

Our trade payables mainly comprised payables to subcontractors and material suppliers. Our trade payables increased from approximately HK\$7.2 million as at 31 December 2018 to approximately HK\$12.3 million as at 31 December 2019 and further increased to approximately HK\$28.3 million as at 31 December 2020. Such increase was mainly due to our business growth resulting in the increase in our subcontracting expenses and direct material costs during FY2019 and FY2020. Our trade payables decreased to approximately HK\$17.0 million as at 30 April 2021, which was mainly due to the difference in credit term granted by different subcontractors and suppliers and difference in timing of payments to our subcontractors and suppliers as at the respective reporting dates.

### Trade payables turnover days

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

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>Four months ended 30 April 2021</b>
Trade payables turnover days ( <i>Note</i> )	25.6 days	23.7 days	33.1 days	31.4 days

*Note:* Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2018 and FY2019, 366 days for FY2020 and 120 days for the four months ended 30 April 2021).

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Our trade payables turnover days was approximately 25.6 days, 23.7 days, 33.1 days and 31.4 days during FY2018, FY2019, FY2020 and the four months ended 30 April 2021. The trade payables turnover days during the Track Record Period were in line with the credit period granted by our suppliers (i.e. 0 to 45 days from the invoice date).

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

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

	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>	<b>As at 31 December 2020 HK\$'000</b>	<b>As at 30 April 2021 HK\$'000</b>
0-30 days	7,192	11,185	28,233	9,258
31-60 days	–	999	–	4,847
61-90 days	7	–	–	2,258
91-365 days	<u>27</u>	<u>102</u>	<u>91</u>	<u>604</u>
	<u><u>7,226</u></u>	<u><u>12,286</u></u>	<u><u>28,324</u></u>	<u><u>16,967</u></u>

Up to the Latest Practicable Date, 99.5% of our trade payables as at 30 April 2021 had been settled.

### **INDEBTEDNESS**

The following table sets forth our Group's indebtedness as at the dates indicated. As at 31 July 2021, being the most recent practicable date for the purpose of the disclosure of our indebtedness position, save as disclosed below, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities, or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there had not been any material change in our indebtedness or contingent liabilities since 31 July 2021 and up to the date of this listing document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

## FINANCIAL INFORMATION

The following table sets forth our Group's indebtedness as at the respective dates indicated:

	As at 31 December			As at 30	As at 31
	2018	2019	2020	April	July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
<b>Current liabilities</b>					
Amounts due to directors	4,931	–	–	–	–
Lease liabilities	<u>–</u>	<u>329</u>	<u>260</u>	<u>264</u>	<u>267</u>
	<u>4,931</u>	<u>329</u>	<u>260</u>	<u>264</u>	<u>267</u>
<b>Non-current liabilities</b>					
Lease liabilities	<u>–</u>	<u>–</u>	<u>181</u>	<u>91</u>	<u>23</u>
	<u>4,931</u>	<u>329</u>	<u>441</u>	<u>355</u>	<u>290</u>

### Lease liabilities

The present value of minimum lease payments within one year amounted to approximately HK\$0.3 million, HK\$0.3 million and HK\$0.3 million as at 31 December 2019 and 2020 and 30 April 2021, respectively, while the present value of minimum lease payments after one year but within two years amounted to nil, approximately HK\$0.2 million and approximately HK\$91,000 as at 31 December 2019 and 2020 and 30 April 2021, respectively.

During the years ended 31 December 2019 and 2020 and the four months ended 30 April 2021, the total cash outflows for the leases are approximately HK\$4.3 million, HK\$6.1 million and HK\$4.2 million, respectively.

### Amounts due to Director(s)

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

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## FINANCIAL INFORMATION

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### LEASE COMMITMENTS

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the total future minimum lease payments payable by our Group under non-cancellable operating leases are as follow:

	As at 31 December			As at 30
	2018	2019	2020	April
	HK\$'000	HK\$'000	HK\$'000	2021 HK\$'000
Within one year	503	–	–	–
In the second to fifth year	336	–	–	–
	<u>839</u>	<u>–</u>	<u>–</u>	<u>–</u>

The lease typically run for an initial period of two years. Upon the initial adoption of HKFRS 16 "Lease" on 1 January 2019, our Group measures the rights-of-use assets and lease liabilities by using the incremental borrowing rate at initial application date. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statements of financial position.

### POTENTIAL LITIGATIONS

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

### OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.



## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	FY2018 or as at 31 December 2018	FY2019 or as at 31 December 2019	FY2020 or as at 31 December 2020	Four months ended 30 April 2021 or as at 30 April 2021
Revenue growth	N/A	65.3%	50.1%	23.1%
Net profit growth	N/A	(57.3)%	473.1%	(15.9)%
Adjusted net profit margin <sup>(Note)</sup>	14.6%	12.9%	13.2%	12.8%
Gross profit margin	19.4%	18.1%	18.7%	18.3%
Net profit margin	14.5%	3.7%	14.3%	8.4%
Return on equity	60.6%	7.8%	31.0%	6.6%
Return on total assets	40.1%	6.4%	24.4%	5.6%
Current ratio	2.9	5.2	4.6	6.5
Quick ratio	2.9	5.2	4.6	6.5
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	11.0 days	14.4 days	19.4 days	18.6 days
Trade payables turnover days	25.6 days	23.7 days	33.1 days	31.4 days
Gearing ratio	18.6%	0.4%	0.3%	0.3%
Net debt to equity ratio	Net cash	Net cash	Net cash	Net cash
Interest coverage	N/A	338.5 times	3,083.9 times	1,647.7 times

*Note:* Adjusted net profit margin is calculated based on our net profit (excluding [REDACTED] in relation to the GEM Listing, [REDACTED] and related expenses and financial support from the Anti-epidemic fund provided by the Government) for the respective year/period divided by our revenue for the respective year/period.

#### Revenue growth

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuation in our revenue.

#### Net profit growth

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuation in our net profit.

#### Gross profit margin

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuation in our gross profit margin.

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## FINANCIAL INFORMATION

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### Net profit margin

Our net profit margin decreased from approximately 14.5% for FY2018 to approximately 3.7% for FY2019. Such decrease was mainly due to the increase in our non-recurring [REDACTED] in relation to the GEM Listing from approximately HK\$ [REDACTED] for FY2018 to approximately HK\$[REDACTED] for FY2019.

Our net profit margin increased to approximately 14.3%, which was driven by the decrease in our non-recurring [REDACTED] in relation to the GEM Listing from approximately HK\$[REDACTED] for FY2019 to [REDACTED] for FY2020.

Our net profit margin decreased from approximately 12.4% for the four months ended 30 April 2020 to approximately 8.4% for the four months ended 30 April 2021, which was driven by the recognition of [REDACTED] and related expenses of approximately HK\$[REDACTED] for the four months ended 30 April 2021.

### Return on equity

Return on equity is calculated as profit and total comprehensive income for the year/period divided by the ending total equity as at the respective reporting dates.

Our return on equity decreased from approximately 60.6% during FY2018 to approximately 7.8% for FY2019. Such decrease was mainly due to (i) the decrease in our profit and total comprehensive income for FY2019, which was primarily attributable to the increase in our non-recurring [REDACTED] in relation to the GEM Listing; and (ii) the increase in our total equity as a result of our GEM Listing in December 2019.

Our return on equity increased to approximately 31.0% during FY2020. Such increase was mainly due to the increase in our profit and total comprehensive income for the year of approximately 473.1%, which outweighed the increase in our equity of approximately 45.0% during FY2020.

Our return on equity decreased from approximately 10.8% for the four months ended 30 April 2020 to approximately 6.6% for the four months ended 30 April 2021, which was primarily attributable to (i) the decrease in our profit and total comprehensive income for the period as a result of the recognition of [REDACTED] and related expenses; and (ii) the increase in our total equity.

### Return on total assets

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

Our return on total assets decreased from approximately 40.1% for FY2018 to approximately 6.4% for FY2019. Similar to the reason for the decrease in our return on equity, the decrease in our return on assets was mainly due to (i) the decrease in our profit and total comprehensive income for FY2019, which was primarily attributable to the

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increase in our non-recurring [REDACTED] in relation to the GEM Listing; and (ii) the increase in our cash and bank balances as a result of the net [REDACTED] received from our GEM Listing in December 2019.

Our return on total assets decreased from approximately 8.4% for the four months ended 30 April 2020 to approximately 5.6% for the four months ended 30 April 2021, which was primarily attributable to (i) the decrease in our profit and comprehensive income for the period as a result of the recognition of [REDACTED] and related expenses; and (ii) the increase in our total assets.

Our return on assets increased to approximately 24.4% during FY2020. Such increase was mainly due to the increase in our profit and total comprehensive income for the year of approximately 473.1%, which outweighed the increase in our total assets of approximately 49.3% during FY2020.

### **Current ratio**

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

Our current ratio increased from approximately 2.9 times as at 31 December 2018 to approximately 5.2 times as at 31 December 2019, which was primarily attributable to the increase in our cash and bank balances as a result of the net [REDACTED] received from our GEM Listing in 2019.

Our current ratio decreased to approximately 4.6 times as at 31 December 2020, which was mainly due to the increase in our trade and other payables.

Our current ratio increased to approximately 6.5 times as at 30 April 2021, which was mainly due to the decrease in our trade and other payables.

### **Quick ratio**

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

### **Inventories turnover days**

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

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### **Trade receivables turnover days**

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including other receivables) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2018 and FY2019, 366 days for FY2020 and 120 days for the four months ended 30 April 2021).

Please refer to the paragraph headed "Discussion on selected items from the consolidated statements of financial position – Trade and other receivables – Trade receivables and contract assets turnover days" in this section for the reasons for the change in our trade receivables turnover days.

### **Trade payables turnover days**

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2018 and FY2019, 366 days for FY2020 and 120 days for the four months ended 30 April 2021).

Please refer to the paragraph headed "Discussion on selected items from the consolidated statements of financial position – Trade and other payables – Trade payables turnover days" in this section for the reasons for the change in our trade payables turnover days.

### **Gearing ratio**

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

Our gearing ratio decreased from approximately 18.6% as at 31 December 2018 to approximately 0.4% as at 31 December 2019, which was mainly due to the increase in our total equity as a result of our GEM Listing in 2019.

Our gearing ratio remained relatively stable at approximately 0.3% as at 31 December 2020 and as at 30 April 2021.

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

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

We recorded net cash positions as at 31 December 2018, 2019 and 2020 and 30 April 2021.

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### Interest coverage

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

Our interest coverage increased from nil as at 31 December 2018 to approximately 338.5 times as at 31 December 2019. Since our Group recognised the lease liabilities during FY2019 under the initial application of HKFRS 16, we recorded finance charges on lease liabilities of approximately HK\$30,000. In addition, our Group incurred interest expense of approximately HK\$4,000 on bank overdrafts during FY2019.

Our interest coverage increased to approximately 3,083.9 times as at 31 December 2020, which was mainly due to the increase in our profit before interest and tax as discussed above. Our interest coverage decreased to approximately 1,647.7 times as at 30 April 2021. Such decrease was primarily attributable to the increase in [REDACTED] and related expenses, which led to a lower profit before interest and tax.

### RELATED PARTY TRANSACTIONS

We did not have any significant related party transactions during the Track Record Period save as the amounts due to directors and the key management personnel remuneration. For further details, please refer to note 24 to the Accountants' Report in Appendix I in this listing document.

### FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and note 26 of the Accountants' Report set out in Appendix I to this listing document.

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

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this listing document for further details.

### [REDACTED]/[REDACTED] AND RELATED EXPENSES

Our Group was listed on GEM of the Stock Exchange on 13 December 2019. We incurred [REDACTED] of approximately HK\$[REDACTED], HK\$[REDACTED], [REDACTED] and [REDACTED] for the GEM Listing during FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively.

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Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], which is expected to be charged to the profit or loss. Out of the amount of approximately HK\$[REDACTED], approximately HK\$[REDACTED] and HK\$[REDACTED] was incurred during FY2020 and the four months ended 30 April 2021, while approximately HK\$[REDACTED] is expected to be incurred for the eight months ended 31 December 2021. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group's financial performance and results of operations for FY2021 will be affected by the expenses in relation to the [REDACTED].

### DIVIDEND

For each of FY2018, FY2019, FY2020 and the four months ended 30 April 2021, we declared dividends payables of approximately HK\$10.0 million, nil, nil and nil, respectively to our then shareholders. The dividend was paid by setting off against the amounts due from Mr. Sieh and Mr. Ho during FY2018. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payment ratio.

### FINANCIAL INSTRUMENT

Our Group have not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 January 2019 and is an investment holding company. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our Company had no reserves available for distribution to our Shareholders.

### DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE MAIN BOARD LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which, had been required to comply with Rules 13.13 to 13.19 of the Main Board Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Main Board Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this listing document, there has been no material adverse change in our financial or trading position or prospects since 30 April 2021, and there have been no events since 30 April 2021 which would materially affect the information shown in our consolidated financial information included in the Accountants' Report set forth in Appendix I to this listing document.