

SUMMARY

This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company and read this listing document in its entirety.

There are risks associated with any investment. Some of the particular risks in investing in the Shares of the Company are set out in the section headed "Risk Factors" in this listing document. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company. Various expressions used in this summary are defined in the section headed "Definitions and Glossary of Technical Terms" in this listing document.

BUSINESS 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. Our Group has been listed on GEM since 13 December 2019. According to the Industry Report, we were ranked as the third largest player (in terms of estimated revenue) in the slope works industry in Hong Kong in 2020, and accounted for approximately 12.0% market share of the slope works industry.

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. We are specialised in providing integrated slope works services and are experienced in undertaking different kinds of slope works which mainly comprise (i) drilling and installation of soil nails; (ii) construction of retaining walls; (iii) installation of debris flow protection rigid barriers; (iv) construction of flexible barrier system; (v) installation of raking drains; (vi) installation of wire meshes and mats for erosion control; (vii) construction of concrete maintenance stairway/access; and (viii) landscape softworks and establishment works. If so requested by our customer, we may also provide design-and-build services, such as slope upgrading and slope remedial works.

Since the GEM Listing, we have continued to strengthen our market presence and competitiveness in the slope works industry. In particular, A-City Workshop, our principal operating subsidiary, has successfully registered as a Probationary Contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" in June 2020. Our status as a Probationary Contractor has broadened the source of our projects, including (i) Government contracts which require Approved Specialist Contractor as main contractor; and (ii) Government contracts which require Approved Specialist Contractor as subcontractor.

In addition, A-City Workshop is a Registered Specialist Trade Contractor under reinforcement bar fixing (Group 1), concreting formwork (Group 1) and concreting (Group 1) and a Registered Subcontractor in general civil works with speciality of earthwork and geotechnical works of the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. A-City Workshop is also registered with the Building Authority as a Registered General Building Contractor and a Registered Specialist Contractor under the sub-register of "site formation works". For further details, please refer to the paragraph headed "Business – Licences and registrations" in this listing document.

Projects undertaken during the Track Record Period

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. We acted as a subcontractor in most of our projects during the Track Record Period. In respect of public sector projects, our customers were generally main contractors which are engaged by different Government authorities, including 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. To a lesser extent, we were on occasions engaged directly by private property owners as main contractor.

The following table sets forth a breakdown of our revenue during the Track Record Period for private and public sector projects and by reference to our role in the projects:

	FY2018			FY2019			FY2020		
	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue
Public sector									
– As sub-contractor	11	106,045	95.3	12	149,812	81.5	16	239,915	86.9
Private sector									
– As sub-contractor	4	5,000	4.5	6	34,091	18.5	11	34,939	12.7
– As main contractor	1	200	0.2	–	–	–	1	1,152	0.4
Sub-total	<u>5</u>	<u>5,200</u>	<u>4.7</u>	<u>6</u>	<u>34,091</u>	<u>18.5</u>	<u>12</u>	<u>36,091</u>	<u>13.1</u>
Total	<u>16</u>	<u>111,245</u>	<u>100.0</u>	<u>18</u>	<u>183,903</u>	<u>100.0</u>	<u>28</u>	<u>276,006</u>	<u>100.0</u>

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	No. of projects	Four months ended 30 April				
		2020 Revenue HK\$'000 (Unaudited)	% of total revenue	No. of projects	2021 Revenue HK\$'000	% of total revenue
Public sector						
– As sub-contractor	13	78,620	91.2	13	92,104	86.8
Private sector						
– As sub-contractor	6	7,602	8.8	7	12,336	11.6
– As main contractor	–	–	–	3	1,671	1.6
Sub-total	<u>6</u>	<u>7,602</u>	<u>8.8</u>	<u>10</u>	<u>14,007</u>	<u>13.2</u>
Total	<u>19</u>	<u>86,222</u>	<u>100.0</u>	<u>23</u>	<u>106,111</u>	<u>100.0</u>

Set out below is a breakdown of our projects based on their respective range of revenue recognised during the Track Record Period:

	FY2018 No. of projects	FY2019 No. of projects	FY2020 No. of projects	Four months ended 30 April 2021 No. of projects
Revenue recognised				
HK\$10.0 million or above	4	6	9	4
HK\$5.0 million to below				
HK\$10.0 million	2	2	1	3
HK\$1.0 million to below				
HK\$5.0 million	6	5	8	4
Below HK\$1.0 million	4	5	10	12
Total	<u>16</u>	<u>18</u>	<u>28</u>	<u>23</u>

The following table sets forth the number of projects for which we have submitted tenders, the number of projects awarded and the success rate during the Track Record Period:

	FY2018	FY2019	FY2020	Four months ended 30 April 2021
Number of projects for which we have submitted tenders	17	21	27	19 ^(Note2)
– Public sector	13	12	13	8
– Private sector	4	9	14	11
Number of projects awarded ^(Note 1)	9	11	16	10
– Public sector	6	7	6	4
– Private sector	3	4	10	6
Success rate (%) ^(Note 1)	52.9	52.4	59.3	52.6

Notes:

- In the above table, success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.
- Out of the 19 projects for which we submitted tenders in the four months ended 30 April 2021, the results of two projects were pending as at the Latest Practicable Date.

Leveraging the expansion in our service capacity in terms of manpower and machinery as well as our available financial resources upon the implementation of our business expansion plans following our GEM Listing, our Group has actively approached our existing and potential customers for potential business opportunities and tendered for slope works projects more actively as demonstrated by the increase in number of tenders submitted by our Group from 21 for FY2019 to 27 for FY2020. Further, our executive Directors consider that the expansion in the scale of our in-house resources has given us flexibility in charging a more competitive pricing, resulting in the increase in number of projects awarded to our Group from 11 for FY2019 to 16 for FY2020^(Note).

The number of our tendered and awarded projects in the public sector remained relatively stable throughout the Track Record Period. Meanwhile, the number of our tendered projects and awarded projects in the private sector increased significantly from FY2019 to FY2020^(Note). Our executive Directors consider that the increase in number of private sector projects awarded to us in FY2020 was mainly attributable to:

- the successful registration of A-City Workshop, our principal operating subsidiary, as an Approved Specialist Contractor on probationary status under the category of "Landslip preventive/remedial works to slopes/retaining walls" has enhanced our prospects of obtaining private sector projects. According to the Industry Report, when construction contractors, private property owners and developers select slope works contractors, they generally refer to the List of Approved Specialist Contractors for Public Works because such list provides them with assurance on the track record, financial position and service quality of the

Note: The number of awarded projects for a financial year/period represents the number of projects awarded in respect of the tenders submitted during that financial year/period, irrespective of being awarded in the same financial year/period or subsequently.

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registered contractors. As such, our Directors consider that our registration as an Approved Specialist Contractor has enhanced our corporate profile and recognition and enabled our Group to be considered more favourably by our customers when tendering for slope works projects;

- (ii) the listing of our Shares on GEM of the Stock Exchange since 13 December 2019 has reinforced our reputation, strengthened our market presence and increased our corporate profile in the slope works industry; and
- (iii) leveraging our registration as an Approved Specialist Contractor as well as our listing status on GEM of the Stock Exchange, our Group has greater exposure to business opportunities for private sector projects. In FY2020, our Group successfully built up business relationships with six new customers and obtained a total of seven private sector projects from them, which contributed a total of approximately HK\$4.0 million and HK\$6.3 million to our revenue in FY2020 and the four months ended 30 April 2021, respectively.

Backlog

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

	FY2018	FY2019	FY2020	Four months ended 30 April 2021	From 1 May 2021 to the Latest Practicable Date
Opening number of projects <i>(Note 1)</i>	6	12	18	24	25
Number of new projects awarded to us <i>(Note 2)</i>	12	9	15	12	2
Less: Number of projects completed <i>(Note 3)</i>	(6)	(3)	(9)	(11)	(7)
Ending number of projects <i>(Note 4)</i>	12	18	24	25	20

Notes:

- Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
- Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
- Number of projects completed means the number of projects which are practically regarded as completed.
- Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

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

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>	Four months ended 30 April 2021 <i>HK\$'000</i>	From 1 May 2021 to the Latest Practicable Date <i>HK\$'000</i>
Opening value of backlog	168,681	155,501	159,320	190,572	439,133
Total value of new projects and variation orders awarded <i>(Note 1)</i>	98,065	187,722	307,258	354,672	14,212
Less: Revenue recognised	(111,245)	(183,903)	(276,006)	(106,111)	(102,745)
Ending value of backlog <i>(Note 2)</i>	<u>155,501</u>	<u>159,320</u>	<u>190,572</u>	<u>439,133</u>	<u>350,600</u>

Notes:

- Total value of new projects and variation orders awarded means (i) the original estimated contract sum of new projects awarded, or where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts; and (ii) the value of variation orders issued by our customers in the relevant year/period indicated.
- Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.

Our customers

During the Track Record Period, our customers mainly included main contractors in Hong Kong who engaged us in the role of subcontractor. To a lesser extent, we were on occasions engaged directly by private property owners in the role of main contractor. The number of customers with revenue contribution to our Group was seven, seven, ten and 12 for FY2018, FY2019, FY2020 and the four months ended 30 April 2021, respectively. During the Track Record Period, a significant portion of our revenue was derived from our top five customers. For FY2018, FY2019, FY2020 and the four months ended 30 April 2021, the percentage of our total revenue attributable to our top customer amounted to approximately 31.1%, 34.7%, 34.7% and 31.8% respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 98.5%, 97.9%, 98.0% and 95.1%, respectively. For further information, please refer to the paragraph headed "Business – Our customers – Customer concentration" in this listing document.

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During the course of our business, there may be occasions where our customers pay on our behalf for materials and other miscellaneous items such as site planning and surveying services, machinery rental and motor vehicle expenses required in our projects and subsequently deduct such payments when settling our service fees for the project. For further details, please refer to the paragraph headed "Business – Our customers" in this listing document.

Our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) subcontractors; (ii) suppliers of materials; and (iii) suppliers of other miscellaneous services such as site planning and surveying services, motor vehicle expenses and machinery rental services. The following table sets forth a breakdown of our total purchase during the Track Record Period by type of suppliers:

	FY2018		FY2019		FY2020		For the four months ended 30 April			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	2020 HK\$'000 (Unaudited)	%	2021 HK\$'000	%
Subcontracting services	24,820	44.0	43,248	42.3	61,163	40.8	19,747	40.5	24,651	40.8
Materials	15,781	27.9	24,158	23.6	46,165	30.8	17,900	36.8	22,368	37.0
Other services <i>(Note)</i>	15,862	28.1	34,742	34.1	42,566	28.4	11,054	22.7	13,446	22.2
Total	56,463	100.0	102,148	100.0	149,894	100.0	48,701	100.0	60,465	100.0

Note: These miscellaneous services mainly included site planning and surveying services, motor vehicle expenses and machinery rental services.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Industry Report, the revenue of slope works increased from approximately HK\$2,267.3 million in 2015 to approximately HK\$2,711.5 million in 2018, while slope works in public sector has been the main source of revenue. Imputed to social unrest and the outbreak of the COVID-19 in 2019 and 2020 respectively, the project quantity and project value of LPMitP initiated by the Government has been sharply contracted. Since early 2021, the number of cases of COVID-19 in Hong Kong has remained relatively stable and the efforts from the Government have contributed towards an effective control of the epidemic. Coupled with the rising safety standard for man-made slope and natural hillsides, the demand for slope works is expected to recover gradually in the future.

The launching of LPMitP by the Geotechnical Engineering Office ("GEO") in 2010 is considered one of the key drivers for the Hong Kong slope works market. LPMitP regularly monitors the situation of all slopes in Hong Kong to mitigate the risks associated with both man-made slopes and natural hillside. Since the launching of LPMitP, GEO has spent about HK\$25.2 billion on landslip prevention and mitigation studies and works; more than 6,140 Government man-made slopes were upgraded, more than 330 mitigation works for natural hillside had been implemented and more than 6,100 private man-made slopes were studied and evaluated for safety screening. Coupled with the increasing population and more buildings sit next to steep slopes, it is expected that the Government will put more effort on the promotion of LPMitP to ensure the safety of all man-made slope and natural hillside. With the continuous efforts by the Government in this regard to slope safety, the estimated revenue of slope works in Hong Kong is forecasted to experience a growth from approximately HK\$2,306.8 million in 2020 to approximately HK\$2,839.5 million in 2025, at a CAGR of 4.2%.

We believe that our competitive strengths include: (i) we offer a comprehensive range of quality slope works; (ii) ability to undertake slope works projects in different roles; (iii) possession of a pool of skilled workers; (iv) experienced and dedicated management team; and (v) stringent quality control and high safety standard and environmental impact control.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) leveraging our registration as Approved Specialist Contractor to tender for public sector projects directly from the Government; (ii) enhancing our prospects of obtaining new projects from construction contractors, private property owners and developers; and (iii) diversifying our customer base and expanding our market share. For further information, please refer to the paragraph headed "Business – Business strategies" in this listing document.

IMPLEMENTATION OF BUSINESS STRATEGIES AND USE OF [REDACTED]

Our Group has taken active steps to strengthen our market position in the industry and expand our market share in Hong Kong since the GEM Listing. Since the GEM Listing, we have continued to strengthen our market position. For example, A-City Workshop has been registered as a Probationary Contractor in June 2020. Our Group has achieved business growth with increasing revenue and profit after the GEM Listing. Our revenue increased to approximately HK\$183.9 million for FY2019 and further increased to approximately HK\$276.0 million for FY2020; whereas our gross profit increased to approximately HK\$33.4 million for FY2019 and further increased to approximately HK\$51.6 million for FY2020. Our adjusted 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) increased to approximately HK\$23.6 million for FY2019, and further increased to approximately HK\$36.5 million for FY2020.

The table below sets forth the details of our adjusted use of our actual net [REDACTED] from the GEM Listing and the actual amount utilised up to 30 June 2021 (being the latest practicable date to determine our Group's actual use of net [REDACTED]):

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	Adjusted use of actual net [REDACTED] HK\$ million		Actual use of net [REDACTED] up to 30 June 2021 HK\$ million	
		%		%
Strengthening our manpower by recruiting additional staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition of additional machinery	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increasing our reserve for financing the issue of performance bonds in favour of our customers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Maintaining the specific working capital required for being an Approved Specialist Contractor	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Our Directors are of the view that the existing implementation plans have successfully helped our Group to achieve our business strategies. Our Group will continue to apply such implementation plan in pursuit of our business strategies.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured new business mainly through direct invitations for tender by customers. On some occasions, we have approached the construction contractors which might have tendered for certain public sector projects we identified on gazettes or Government websites and discussed with them on the prospects of subcontracting the relevant works to us. In June 2020, A-City Workshop has successfully applied for registration as a Probationary Contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls". Since then, we are eligible to tender for those Government contracts which impose specific requirements for the main contractor and/or subcontractor to be registered on the List of Approved Specialist Contractors.

We normally charge our customers based on actual work done according to the bill of quantities set out in the contract. Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (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 information, please refer to the paragraph headed "Business – Pricing strategy" in this listing document.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk factors" in this listing document before making any investment decision. Some of the more particular risk factors include the following: (i) a significant portion of our revenue was generated from contracts awarded by a limited number of customers; (ii) a significant portion of our revenue during the Track Record Period was generated from public sector slope works projects and any significant reduction in the level of Government's spending on slope works may materially and adversely affect us; (iii) our revenue is mainly derived from our slope works on a project-by-project basis and our business depends on our success rate on project tendering; and (iv) any significant cost overruns may materially and adversely affect our business operation and financial performance.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period.

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

	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	Four months ended 30 April	
				2020 HK\$'000 (Unaudited)	2021 HK\$'000
Revenue	111,245	183,903	276,006	86,222	106,111
Cost of services	(89,660)	(150,546)	(224,410)	(70,462)	(86,646)
Gross profit	21,585	33,357	51,596	15,760	19,465
Profit before income tax	19,069	11,476	46,244	12,545	11,527
Income tax expense	(2,975)	(4,610)	(6,894)	(1,896)	(2,569)
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>

Our revenue increased significantly from approximately HK\$111.2 million during FY2018 to approximately HK\$183.9 million during FY2019, and further increased to approximately HK\$276.0 million during FY2020. Such increase in our revenue was primarily attributable to (i) the increase in the number of projects undertaken by us during FY2019 and FY2020; and (ii) an increase in our revenue derived from projects of relatively larger scale.

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 which was mainly attributable to the increase in our non-recurring [REDACTED] in relation to the GEM Listing from approximately HK\$0.1 million for FY2018 to approximately HK\$16.8 million for FY2019. Our profit and total comprehensive income for the year increased from approximately HK\$6.9 million for FY2019 to approximately HK\$39.4 million for FY2020 which was mainly attributable to the decrease in the [REDACTED] in relation to the GEM Listing incurred by our Group from approximately HK\$16.8 million for FY2019 to nil for FY2020.

Please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations" in this listing document for a detailed analysis on our results of operations.

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	As at 31 December			As at	As at
	2018	2019	2020	30 April 2021	31 May 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Highlights of consolidated statements of financial position					
Non-current assets	1,641	3,415	4,948	4,578	4,445
Current assets	38,499	104,643	156,336	155,620	150,614
Current liabilities	13,390	20,289	33,782	23,825	13,898
Non-current liabilities	188	257	640	553	542
Net current assets	25,109	84,354	122,554	131,795	136,716
Net assets	26,562	87,512	126,862	135,820	140,619

Our net current assets and net assets increased from approximately HK\$25.1 million and HK\$26.6 million as at 31 December 2018 to approximately HK\$84.4 million and HK\$87.5 million as at 31 December 2019, respectively, which were mainly attributable to the net [REDACTED] from the GEM Listing. Our net current assets and net assets further increased to approximately HK\$122.6 million and HK\$126.9 million as at 31 December 2020, respectively, which were mainly attributable to the increase in (i) our contract assets of approximately HK\$29.3 million; (ii) our trade and other receivables of approximately HK\$5.6 million; and (iii) our cash and bank balances of approximately HK\$16.8 million; and (iv) partially offset by the increase in our trade and other payables of approximately HK\$16.8 million.

Highlights of consolidated statements of cash flows

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

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\$60.0 million 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. For further details, please refer to the paragraph headed "Financial information – Liquidity and capital resources" in this listing document.

Summary of financial ratio

	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
Gross profit margin	19.4%	18.1%	18.7%	18.3%
Net profit margin	14.5%	3.7%	14.3%	8.4%
Adjusted net profit margin (Note)	14.6%	12.9%	13.2%	12.8%
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
Trade receivables turnover days	11.0 days	14.4 days	19.4 days	18.6 days
Gearing ratio	18.6%	0.4%	0.3%	0.3%

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.

Our net profit margin decreased from approximately 14.5% for FY2018 to approximately 3.7% for FY2019 which was mainly attributable to the increase in our non-recurring [REDACTED] in relation to the GEM Listing from approximately HK\$0.1 million for FY2018 to approximately HK\$16.8 million for FY2019. Our net profit margin increased to approximately 14.3% for FY2020, which was driven by the decrease in our non-recurring [REDACTED] in

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relation to the GEM Listing from approximately HK\$16.8 million for FY2019 to nil 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\$5.4 million for the four months ended 30 April 2021.

Our adjusted net profit margin decreased from approximately 14.6% for FY2018 to approximately 12.9% for FY2019, which was mainly attributable to the decrease in our gross profit margin as a result of two projects undertaken by us during FY2019 with relatively lower profit margin. Being limited by the availability of our then own labour resources, we had increased the amount of works outsourced to subcontractors for carrying out the site works under Project #07 and Project #08, resulting in the increase in subcontracting expenses incurred from and lower profit margin attributable to the aforesaid projects. Our adjusted net profit margin for FY2020 remained relatively stable at approximately 13.2% as compared to approximately 12.9% for FY2019. Our adjusted net profit margin for the four months ended 30 April 2021 remained relatively stable at 12.8% as compared to approximately 12.4% for the four months ended 30 April 2020.

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.

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 four months ended 30 April 2021, respectively. The general increase was mainly attributable to the increase in our trade receivables as at respective year ended date due to our business growth and the work done certified by customers close to year ended date according to our work progress.

Please refer to the paragraph headed "Financial information – Key financial ratios" in this listing document for a detailed analysis on our financial ratios.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED], Good Hill (which is wholly owned by Mr. Ho and Mr. Sieh in equal share) will continue to be entitled to exercise or control the exercise of [REDACTED]% of the voting power at general meetings of our Company, therefore, Good Hill is our Controlling Shareholder. On the basis that Mr. Ho and Mr. Sieh have decided to restrict their ability to exercise direct control over our Company by holding their interests through Good Hill, Mr. Ho and Mr. Sieh are a group of our Controlling Shareholders. There has been no material change in our Controlling Shareholders' shareholdings in our Company since the GEM Listing Date and up to the Latest Practicable Date.

Each of our Controlling Shareholders has undertaken to our Company that (a) it/he will not and will procure that the relevant registered holder(s) will not in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in the GEM Prospectus and ending on the date which is 30 months from the GEM Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by the GEM Prospectus to be the beneficial owner; and (b) it/he will not and will procure the Board of Directors not to, in the period during which our Controlling Shareholders remain as Controlling Shareholders, cause any fundamental change in the principal business of our Company and that the revenue attributable to the undertaking of construction and related works shall represent 75% or above of our total revenue of the respective year/period.

For details of our relationship with our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this listing document.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain claims and potential claims that were arisen during our usual and ordinary course of business, which include (i) two ongoing employees' compensation claims; (ii) two settled employee's compensation claims and one settled common law personal injury claim; (iii) two potential employees' compensation claims; and (iv) five potential common law personal injury claims, in relation to workplace injuries. For further details, please refer to the paragraph headed "Business – Litigations and claims" in this listing document.

[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.

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] were 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.

SUMMARY

REASONS FOR THE [REDACTED]

Our Directors are of the view that the GEM Listing is of assistance to our Group to gain public recognition and profile. After the GEM Listing, our Group has achieved business growth in our revenue and profit. Our Directors consider that since the Main Board is perceived to enjoy more premium status by investors, the [REDACTED], if approved and proceeded, will further promote our Group's corporate profile and recognition among public investors and increase attractiveness of the Shares to the public investors and thus broaden our Group's investor base and enhance the trading liquidity of the Shares. Furthermore, obtaining a [REDACTED] status on the Main Board will strengthen our Group's position in the industry and enhance our Group's competitive strengths in retaining staff and attracting customers. Therefore, our Directors are of the view that the [REDACTED] will be beneficial to the future growth, financing flexibility and business development of our Group which will create a long-term value to the Shareholders.

As at the date of this listing document, the Board has no immediate plans to change the nature of the business of our Group following the [REDACTED]. The [REDACTED] will not involve any issue of new Shares by our Company.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had 20 projects on hand with an aggregate of approximately HK\$448.2 million yet to be recognised as revenue after the Track Record Period, among which, approximately HK\$185.7 million and HK\$262.5 million are expected to be recognised as revenue during the eight months ending 31 December 2021 and FY2022 onwards. In 2021, we were awarded with a project with estimated contract sum of HK\$70.0 million (i.e. O03) by a new customer, being a construction contractor. The project sites of Project O03 involved various locations in the Hong Kong Island. For further details, please refer to the paragraph headed "Business – Projects on hand" in this listing document.

Based on the best estimation of our Directors, it is expected that our net profit will decrease in FY2021 when compared to FY2020, which is mainly attributable to (i) the estimated significant increase in amount of [REDACTED] in relation to the [REDACTED] and related expenses to be incurred by us; and (ii) the estimated significant decrease in amount of Government grant from Anti-epidemic Fund to be received by us.

Without taking into account the [REDACTED] in relation to the [REDACTED] and related expenses and financial support from the Anti-epidemic fund provided by the Government, our Directors estimated that our adjusted net profit will slightly increase in FY2021 when compared to FY2020. Accordingly, our Directors do not foresee any material adverse change to the financial position or prospects of our Group for FY2021.

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.

Impact of the outbreak of COVID-19 on our operations

Based on information available as at the Latest Practicable Date, our executive Directors consider that the outbreak of COVID-19 did not result in any material impact on our Group's operation and financial performance or material adverse change to our expansion plan based on the following factors:

- we had not experienced any significant project delay and/or cancellation of work orders from our customers;
- we had not experienced any material delay in the settlement of payment to us by our customers as a result of the outbreak of COVID-19;
- we had not experienced any material decline in the number of tender invitations received by us following the outbreak of COVID-19;
- as at the Latest Practicable Date, our Group had a total of six tenders which were still undergoing tender selection process and pending tender result. In respect of these six tenders, none of the customers have notified us that such projects had been cancelled or revoked;
- based on information publicly available and reasonable enquiries by our executive Directors, we are not aware of any suggestion or indication that our major customers suffered from material financial difficulties as a result of the outbreak of COVID-19;
- we had not experienced any material difficulties in making procurement of materials and/or subcontracting services;
- we had not experienced any material delay in delivery of materials and/or subcontracting services by our material suppliers and subcontractors;
- based on information publicly available and regular updates from our employees and subcontractors, none of our employees or our subcontractors' employees involved in our projects had been tested positive for COVID-19;
- there had not been any significant changes in the profit margin of our projects on hand or estimated profit margin of our potential projects following the outbreak of COVID-19; and
- according to the Industry Report, the outbreak of COVID-19 is expected to have limited impact on the demand for Hong Kong's slope works industry in the long run due to the fact that (i) as put forward in the Hong Kong 2021-2022 Budget by the Government, the financial provision on slope safety and geotechnical standards has increased from HK\$416.9 million to HK\$441.7 million during 2019 to 2021, representing a CAGR of approximately 2.9%. The programme is deployed with a view to exercising geotechnical control on private and public developments, register slopes, implement the LPMitP programme, provide landslide emergency service, investigate serious landslides, set geotechnical standards, undertake public education and advise private slope owners on slope safety. As such, the increasing financial and strategic effort dedicated by the Government is expected to propel the slope works industry; (ii) the Government has estimated the number of new slope features registered to reach 450 units in 2021, as compared to 440 units and 429 units for 2019 and 2020, respectively. The continuous registration of new slope is expected to underpin the growth of slope works industry; and (iii) the major construction projects in Hong Kong ranging from roads,

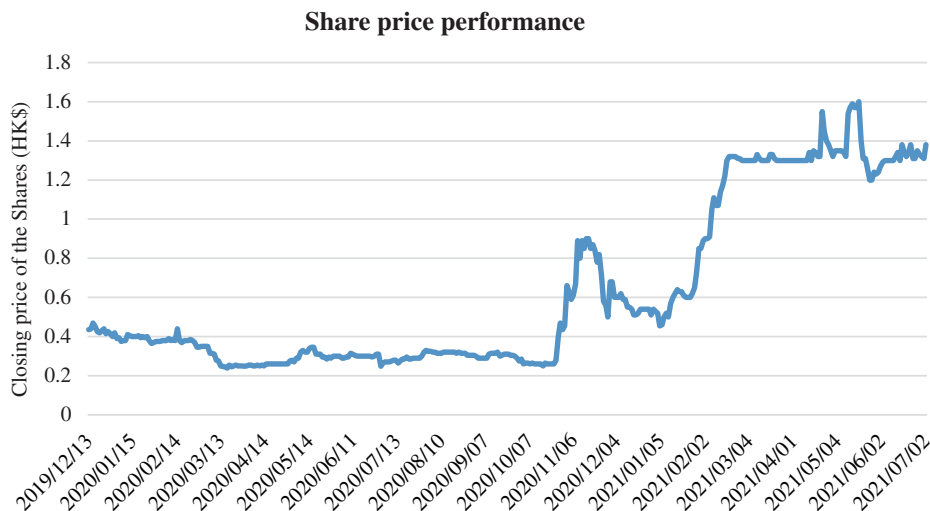
SUMMARY

housing shopping malls and offices, which are currently in the pipeline to be built in the following years will unlikely be affected. For further details, please refer to the paragraph headed "Industry overview – Overview of Hong Kong slope works industry" in this listing document;

- the first confirmed case of COVID-19 in Hong Kong was reported in January 2020. There were rounds of outbreaks in Hong Kong during the periods of January, March, July to August and November to December in 2020. The number of confirmed cases has gradually decreased since January 2021. Taking into consideration (i) the gradual decrease in number of confirmed cases since 2021; and (ii) the implementation of the COVID-19 vaccination programme since February 2021, our executive Directors consider that most of the adverse impact brought by the outbreak of COVID-19 should have been reflected in our business and financial performance for FY2020, if any. Notwithstanding the outbreak of COVID-19 in 2020, our Group was able to achieve business growth in FY2020 as evidenced by the significant increase in revenue from approximately HK\$183.9 million for FY2019 to approximately HK\$276.0 million for FY2020. Further, the value of our projects backlog as at the Latest Practicable Date of approximately HK\$350.6 million was significantly higher than our projects backlog as at each of 31 December 2018 (i.e. approximately HK\$155.5 million), 31 December 2019 (i.e. approximately HK\$159.3 million) and 31 December 2020 (i.e. approximately HK\$190.6 million), respectively;
- notwithstanding the outbreak of COVID-19 in 2020, our Group was able to implement our business expansion plans and utilise the net [REDACTED] from the GEM Listing according to the timeline as set forth in the GEM Prospectus. Further, our Group was able to achieve our business strategies in (i) tendering for projects directly from the Government as we had leveraged our registration as an Approved Specialist Contractor and tendered for three public sector projects as main contractor with the Lands Department, the CEDD and the Highways Department in 2020; and (ii) diversifying our customer base and expanding our market share which can be demonstrated by the increase in number of customers with revenue contribution to our Group from seven for FY2019 to ten for FY2020 and the increase in number of projects for which we submitted tenders from 21 for FY2019 to 27 for FY2020 as well as the increase in number of projects awarded to our Group from 11 for FY2019 to 16 for FY2020^(Note); and
- in the event that the outbreak of COVID-19 deteriorates and in the worst case scenario where our business operation has to be completely suspended, our executive Directors believe that we will have sufficient working capital to meet our cash requirements for at least 12 months based on our cashflow analysis, in particular taking into consideration factors and business assumptions such as (i) our cash and bank balances of approximately HK\$109.0 million as at 31 July 2021; (ii) we will continue receive our trade and other receivables of approximately HK\$15.1 million as at 31 July 2021 based on historical settlement pattern; (iii) we will continue receive certification and settlement from our customers on our contract assets (excluding retention receivables) of approximately HK\$34.4 million as at 31 July 2021; (iv) we will continue paying our staff and other fixed costs during the suspension of work; (v) we will settle our trade and other payables of approximately HK\$9.9 million as at 31 July 2021 based on historical settlement pattern; and (vi) we will settle our current tax liabilities of approximately HK\$6.7 million as at 31 July 2021.

SHARE PRICE

The chart below shows the daily closing price of our Shares since the GEM Listing Date and up to the Latest Practicable Date:



Since the GEM Listing Date and up to the Latest Practicable Date, the highest closing price of our Shares was HK\$1.600 recorded on 27 May 2021 and the lowest closing price of our Shares was HK\$0.239 recorded on 19 March 2020. Set out below are the quantitative information and explanations on material fluctuations in our Company's share price during this period:

- The closing price of our Shares decreased from the offer price of HK\$[REDACTED] per Share on the GEM Listing Date to HK\$0.239 per Share on 19 March 2020, representing a decrease of approximately 60.2%. Our Directors considered that such decrease might be partly attributable to the deterioration of the investors' sentiment due to the outbreak of COVID-19 worldwide. In particular, our Directors observed that

Note: The number of awarded projects for a financial year/period represents the number of projects awarded in respect of the tenders submitted during that financial year/period, irrespective of being awarded in the same financial year/period or subsequently.

SUMMARY

(i) approximately 71.5% of the GEM listed companies has experienced a decrease in their share price, ranging from 1.0% to 85.1%, during the period; (ii) approximately 82.2% of the listed companies on the Stock Exchange which are principally engaged in the construction industry experienced significant downfall, ranging from 0.4% to 95.6%, in their share price during the period; and (iii) in December 2019, other than our Company, five small and mid-sized companies (with market capitalisation under HK\$1.0 billion) were listed on the Stock Exchange, among these five companies four of them had experienced a significant decrease in share price, ranging from 12.3% to 80.8% with an average decrease of 44.2%.

- During the period from 20 March 2020 to 30 October 2020, the closing price of our Shares moved within the range of HK\$0.245 per Share and HK\$0.345 per Share. Our Directors confirmed that they are not aware of any changes in our Company's circumstances or particular macro-economic events leading to such movement in the share price over this period.
- The closing price of our Shares increased from HK\$0.245 per Share on 30 October 2020 to HK\$0.90 per Share on 20 November 2020, representing an increase of approximately 267.3%. Our Directors believed that such increase might be caused by public investors' perception of the improvement in our Group's operating performance as reflected in (i) the positive profit alert announcement for the third quarterly results for the nine months ended 30 September 2020 published on 30 October 2020; and (ii) the third quarterly results announcement for the nine months ended 30 September 2020 published on 4 November 2020 (the "**Third Quarterly Results Announcement**"). Our revenue increased from approximately HK\$137.8 million for the nine months ended 30 September 2019 to approximately HK\$189.7 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$51.9 million or 37.6%.

In particular, our Directors believed that the public investors might have perceived from the Third Quarterly Results Announcement that, barring any unforeseen adverse changes or material deterioration in the operating performance of our Group subsequent to 30 September 2020, our Group would be eligible to fulfil the profit requirement under Rule 8.05 of the Main Board Listing Rules with reference to its net profits for the two years ended 31 December 2019 and the nine months ended 30 September 2020. Investors generally perceived that shares listed on the Main Board would enjoy more premium price and status which may attract more public interests. Therefore, the publication of the Third Quarterly Results Announcement may have encouraged expectations among public investors about the prospects of our Group's application for the [REDACTED].

- The closing price of our Shares decreased from HK\$0.90 per Share on 20 November 2020 to HK\$0.455 per Share on 11 January 2021, representing a decrease of approximately 49.4%. Our Directors believed that such decrease might be triggered by the publication of the consultation paper (the "**Consultation Paper**") on Main Board profit requirement by the Stock Exchange on 27 November 2020. The proposed increase in the minimum profit requirement under the Consultation Paper has created uncertainty on our Group's ability to fulfil the new Main Board profit requirement (the "**Profit Requirement**") and hence its prospect in transferring its listing from GEM to the Main Board in the foreseeable future. In particular, under the Consultation Paper, it was proposed that the Profit Requirement would be increased by either 150% or 200%. Such increase in the Profit Requirement, if effective, would have rendered the Company ineligible to fulfil the new Profit Requirement based on its financial performance during the two years ended 31 December 2019 and the nine months ended 30 September 2020. This may have dampened the public investors' interest in our Shares during such period, despite the strong financial performance of our Group over the first three quarters of FY2020.
- The closing price of our Shares increased from HK\$0.455 per Share on 11 January 2021 to HK\$1.310 per Share on the Latest Practicable Date, representing an increase of approximately 187.9%. Our Directors believed that such increase might be caused by public investors' perception of our Group's strong operating and financial performance as reflected in (i) the positive profit alert announcement for the annual results for the year ended 31 December 2020 published on 18 February 2021; and (ii) the annual results announcement for the year ended 31 December 2020 published on 26 February 2021. Our revenue increased from approximately HK\$183.9 million for FY2019 to approximately HK\$276.0 million for FY2020, representing an increase of approximately HK\$92.1 million or 50.1%. Our adjusted 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 FY2020 amounted to approximately HK\$36.5 million, which increased significantly by approximately HK\$12.8 million or 54.3%, as compared to approximately HK\$23.6 million for FY2019. Our Directors believed that public investors may have anticipated that our Group would be eligible to fulfil the profit requirement under Rule 8.05 of the Main Board Listing Rules with reference to its net profits for the three years ended 31 December 2020.

Our Directors also believed that the increase in the share price of our Company in the period could be partly attributable to macro-economic factors such as (i) in early January 2021, the Secretary for Food & Health announced that the Government estimated that members of the public can get vaccinated through the vaccination programmes from February and the Government targeted to provide vaccines for the majority of the population within 2021. Our Directors believed that the public investors might have perceived that the outbreak of COVID-19 in Hong Kong can be contained in the foreseeable future when a substantial population of Hong Kong has been vaccinated and achieved herd immunity. The expectation that daily life and business activity can be returned to normal might have boosted investor's interest to invest in listed issuers; and (ii) the market sentiment of the Hong Kong stock market was fairly optimistic since the end of 2020 up to mid-February 2021. The closing price of the Hang Seng Index increased from 27,231 on 31 December 2020 to 30,595 on 18 February 2021, representing an increase of approximately 12.4%. It is generally understood that the share price of small-cap listed issuers, such as our Company, are more volatile and have larger movement than the share price of large-cap listed issuers. The closing price of the S&P/HKEX GEM Index, which consists of major GEM listed issuers as its constituents, increased sharply from 133.8 on 31 December 2020 to 206.8 on 18 February 2021, representing an increase of approximately 54.6% in less than 32 trading days. Our Directors believed that the share price of the Company may have benefited from the general improvement in market sentiment of the Hong Kong stock market, particularly for small-cap listed issuers, in early 2021.