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Application Proof of
GC Construction Holdings Limited

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

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GC Construction Holdings Limited

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and the [REDACTED])
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application and subject to refund)
Nominal value : HK\$0.01 per Share
[REDACTED] : [REDACTED]

Sponsor



[REDACTED]
[REDACTED]

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[REDACTED]

The [REDACTED] is expected to be determined by agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED] or such later date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced.

The [REDACTED] may, with our Company's consent, reduce the number of [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the number of [REDACTED] and/or the [REDACTED] will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.chankiu.hk not later than the morning of the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed “Structure and Conditions of the [REDACTED]” and “How to Apply for [REDACTED]”.

If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all the information set out in this document, including the risk factors set out in the section headed “Risk factors”. Pursuant to the [REDACTED], the [REDACTED] has the right in certain circumstances to terminate the obligations of the [REDACTED] at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of such circumstances are set out in the paragraph headed “[REDACTED] – [REDACTED] arrangements and expenses – The [REDACTED] – Grounds for termination”.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any [REDACTED] to the public in relation to the [REDACTED].

This document is available at the website of the Stock Exchange at www.hkexnews.hk and our website www.chankiu.hk. If you require a printed copy of this document, you may download and print from the website addresses above.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors, affiliates, employees or representatives or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the section headed “Definitions and glossary of technical terms” in this document.

BUSINESS OVERVIEW

We are a wet trades contractor in Hong Kong. We were established in 2005 and have since undertaken wet trades works in the role of subcontractor. Our business is carried out by our two principal operating subsidiaries, Chan Kiu and Ying Wai. During the Track Record Period, the wet trades works performed by us mainly included plastering, tile laying, brick laying, floor screeding and marble works. According to the Industry Report, our Group ranked the first in the Hong Kong wet trades works subcontracting market in terms of revenue in 2021, and accounted for approximately 4.0% of the market share in 2021.

Projects undertaken during the Track Record Period

We were mainly engaged in private sector projects in Hong Kong. Our private sector projects mainly involved private residential developments and commercial developments. The project owners of our private sector projects were generally property developers, and our customers were main contractors engaged under such projects. To a lesser extent, we were also engaged in public sector projects in Hong Kong. Our public sector projects mainly involved public residential developments as well as infrastructure and public facilities developments. The customers of our public sector projects were generally main contractors engaged by Government departments and statutory bodies.

During the Track Record Period, the majority of our revenue was derived from wet trades works for residential developments. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to project sectors and the types of development involved:

	No. of projects	FY2018/19			Gross profit margin %	No. of projects	FY2019/20			Gross profit margin %
		Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000			Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000	
Private sector										
– Residential	23	355,719	79.4	18,735	5.3	25	425,654	82.9	36,707	8.6
– Commercial	5	3,141	0.7	221	7.0	5	933	0.2	65	7.0
Sub-total	28	358,860	80.1	18,956	5.3	30	426,587	83.1	36,772	8.6
Public sector										
– Residential	8	43,121	9.6	4,436	10.3	9	42,932	8.4	4,269	9.9
– Infrastructure and public facilities	4	45,939	10.3	8,119	17.7	8	43,635	8.5	4,960	11.4
Sub-total	12	89,060	19.9	12,555	14.1	17	86,567	16.9	9,229	10.7
Total	40	447,920	100.0	31,511	7.0	47	513,154	100.0	46,001	9.0

SUMMARY

	No. of projects	FY2020/21			Gross profit margin %	No. of projects	FY2021/22			Gross profit margin %
		Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000			Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000	
Private sector										
– Residential	31	253,783	57.6	23,771	9.4	28	285,993	62.7	32,918	11.5
– Commercial	6	102,329	23.3	17,536	17.1	11	90,066	19.7	10,914	12.1
Sub-total	37	356,112	80.9	41,307	11.6	39	376,059	82.4	43,832	11.7
Public sector										
– Residential	4	56,531	12.8	7,428	13.1	5	1,934	0.4	527	27.2
– Infrastructure and public facilities	10	27,726	6.3	5,187	18.7	13	78,439	17.2	13,329	17.0
Sub-total	14	84,257	19.1	12,615	15.0	18	80,373	17.6	13,856	17.2
Total	51	440,369	100.0	53,922	12.2	57	456,432	100.0	57,688	12.6

Our Group’s revenue for private commercial projects increased from approximately HK\$0.9 million for FY2019/20 to approximately HK\$102.3 million for FY2020/21. The increase in revenue was mainly attributable to the substantial amount of wet trades works we had performed for Project #07, which contributed approximately HK\$72.8 million in revenue for FY2020/21 (FY2019/20: approximately HK\$49,000). For further details, please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Top projects undertaken during the Track Record Period” in this document.

Our Group’s revenue decreased from approximately HK\$513.2 million for FY2019/20 to approximately HK\$440.4 million for FY2020/21. The decrease in revenue was mainly driven by (i) the decrease in the overall market opportunities in the wet trades works industry in Hong Kong which was mainly attributable to the temporary impact of the outbreak of COVID-19 in 2020; (ii) Project #03 and Project #06 contributed a relatively lower revenue for FY2020/21, as compared to FY2019/20; and (iii) some projects had been substantially completed in FY2019/20 while new projects with large contract sum were awarded or commenced works after the third quarter of 2020 onwards. For further details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations – FY2020/21 compared with FY2019/20” in this document.

Our Group’s revenue increased to approximately HK\$456.4 million for FY2021/22. The increase in revenue was mainly driven by the increase in the amount of works performed by our Group in some of our ongoing sizeable projects, including Project #16, a private residential project in Wong Chuk Hang, which contributed approximately HK\$61.4 million to our revenue during FY2021/22 (FY2020/21: approximately HK\$6.9 million).

We have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety supervision and quality control; and (v) developing detailed work schedule and work allocation plan.

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Tender success rate

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 and up to the Latest Practicable Date:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	From 1 April 2022 to the Latest Practicable Date
Number of projects for which we have submitted tenders	86	88	135	111	22
Number of projects awarded ^(Note)	12	19	17	20	1
Success rate (%) ^(Note)	14.0	21.6	12.6	18.0	4.5

Note: 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.

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:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	From 1 April 2022 to the Latest Practicable Date
Opening number of projects ^(Note 1)	32	35	34	30	39
Add: Number of new projects awarded to us ^(Note 2)	13	18	18	19	2
Initial contract sum of the awarded project					
- HK\$50.0 million or above	6	3	5	5	-
- HK\$10.0 million to below HK\$50.0 million	4	2	7	7	-
- HK\$1.0 million to below HK\$10.0 million	1	2	5	3	1
- Below HK\$1.0 million	2	11 ^(Note 5)	1	4	1
Less: Number of projects completed ^(Note 3)	(10)	(19)	(22)	(10)	-
Ending number of projects ^(Note 4)	<u>35</u>	<u>34</u>	<u>30</u>	<u>39</u>	<u>41</u>

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.

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5. The number of awarded projects with initial contract sum below HK\$1.0 million was relatively higher for FY2019/20 because we were invited by Customer Group A and a number of new customers to tender for a total of 14 relatively smaller-scale projects with tender sum below HK\$1.0 million, among which we were awarded with five projects from Customer Group A and four projects from three new customers in FY2019/20. As our tendering strategy, we are open to undertaking projects of varying scale. Depending on our service capacity, we will pursue smaller-scale projects once we estimate that we could derive a reasonable amount of profit and attain our expected level of profitability for such projects. Accordingly, as we received tender invitations from Customer Group A and certain new customers in respect of the aforesaid relatively smaller-scale projects, our management had considered the above factors and decided that it was in our interest to pursue such projects.

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:

	FY2018/19 HK\$'000	FY2019/20 HK\$'000	FY2020/21 HK\$'000	FY2021/22 HK\$'000	From 1 April 2022 to the Latest Practicable Date HK\$'000
Opening value of backlog as at the beginning of the relevant year/period	283,768	476,091	373,857	548,142	758,063
Add: Total value of contract works awarded during the relevant year/period ^(Note 1 and 2)	640,243	410,920	614,654	666,353	31,151
Less: Total revenue recognised during the relevant year/period	(447,920)	(513,154)	(440,369)	(456,432)	(109,203)
Ending value of backlog to be carried forward to next year/period	<u>476,091</u>	<u>373,857</u>	<u>548,142</u>	<u>758,063</u>	<u>680,011</u>

Notes:

- Total value of contract works awarded means (i) the original estimated contract sum of new projects awarded, or where applicable, the adjusted contract sum taking into account the amount of actual work orders on re-measurement basis; and (ii) the value of variation orders issued by our customers in the relevant year/period indicated.
- For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the average contract value of newly awarded projects was approximately HK\$45.1 million, HK\$19.4 million, HK\$33.5 million and HK\$33.8 million, respectively. The average contract value of newly awarded projects was relatively higher for FY2018/19 because we were awarded with six projects each with initial contract sum exceeding HK\$50.0 million in FY2018/19, including Project #02, #05, #06, #08, #09 and #10. The average contract value of newly awarded projects was relatively lower for FY2019/20 because the number of projects awarded to us with initial contract sum of HK\$50.0 million or above decreased from six in FY2018/19 to three in FY2019/20. The average contract value of newly awarded projects each was relatively higher for FY2020/21 because we were awarded with five projects each with initial contract sum exceeding HK\$50.0 million in FY2020/21, including Project O01, #14, #16, #18 and #19. The average contract value of newly awarded projects was relatively higher for FY2021/22 because we were awarded with five projects each with initial contract sum exceeding HK\$50.0 million in FY2021/22, including Project O15, O18 to O20 and O22.

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the average size of projects was approximately HK\$43.2 million, HK\$39.8 million, HK\$34.0 million and HK\$41.0 million, respectively. The average size of projects for FY2020/21 was relatively lower because we undertook 18 projects with contract sum of HK\$10.0 million or less, while we only undertook 10, 11 and 14 projects with contract sum of HK\$10.0 million or less for FY2018/19, FY2019/20 and FY2021/22, respectively.
- 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 construction contractors in Hong Kong. The number of customers with revenue contribution to our Group was 13, 14, 14 and 17 for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. Our Group had two, three and five new customers for FY2019/20, FY2020/21 and FY2021/22, respectively. For

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FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the percentage of our total revenue attributable to our top customer amounted to approximately 35.4%, 56.3%, 37.9% and 42.9%, respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 90.5%, 91.6%, 79.8% and 89.5%, respectively. For further details, please refer to the paragraph headed “Business – Our customers – Customer concentration” in this document.

When we undertake projects for our customers, there may be occasions where our customers supply certain toolings and services to us under the same projects and subsequently deduct such amounts in the relevant payment certificates issued to us. Such procurement from our customers mainly included purchase of toolings such as personal protective equipment, and arrangement of machinery rental and cleaning services. For further details, please refer to the paragraph headed “Business – Our customers – Top customers who were also our suppliers” in this 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 toolings; and (iii) suppliers of other miscellaneous services such as machinery rental and repair and maintenance services.

The following table sets forth a breakdown of our total purchase during the Track Record Period by type of goods and services provided:

	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	372,257	94.8	412,340	92.8	333,557	91.5	332,920	89.2
Materials and toolings	15,221	3.9	25,032	5.6	26,756	7.3	32,876	8.8
Miscellaneous services ^(Note)	5,084	1.3	6,941	1.6	4,257	1.2	7,549	2.0
Total	392,562	100.0	444,313	100.0	364,570	100.0	373,345	100.0

Note: These miscellaneous services mainly included machinery rental, repair and maintenance and other miscellaneous services.

Our licences and qualifications

Given that all the necessary licences, permits or approval required for projects in which we are involved are arranged by the relevant main contractors, there is no particular licence, permit or approval required to be obtained by us in providing wet trades works services as a subcontractor under private sector projects except the business registration. Meanwhile, subcontractors engaged under public sector projects initiated by the Government are generally required to possess registration under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Both of our principal operating subsidiaries, Chan Kiu and Ying Wai, are currently registered specialist trade contractors in the designated trade category of plastering (Group 2) under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. For further details, please refer to the paragraph headed “Business – Licences and qualifications” in this document.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Industry Report, the gross value of wet trades works in Hong Kong increased from approximately HK\$9,574.9 million in 2016 to approximately HK\$11,335.2 million in 2021, representing a CAGR of approximately 3.4%. Driven by (i) the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors; (ii) the housing supply target for the 10-year period from 2021–22 to 2030–31 of 430,000 units according to the Long Term Housing Strategy issued in 2020; and (iii) the continuous investment by the Government in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the next few years, as proposed by the Chief Executive in the 2020 Policy Address, the gross value of wet trades works is expected to

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continue to grow from approximately HK\$12,103.1 million in 2022 to approximately HK\$15,609.3 million in 2026.

We believe that our competitive strengths include: (i) we have an established track record in the wet trades industry in Hong Kong; (ii) we have established long-term relationship with some of our major customers; (iii) we have established stable relationships with some of our major subcontractors; (iv) our management team is experienced and dedicated; and (v) we impose a stringent quality control and environmental impact control.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) competing for wet trades works projects and expanding our market share; (ii) adhering to prudent financial management to ensure optimal finance costs and capital sufficiency; (iii) expanding our workforce and enhancing our work environment; (iv) acquiring additional machinery and motor vehicles; (v) acquiring equipment and tools to further strengthen our occupational safety; and (vi) enhancing our information technology capability and project implementation efficiency. For further details, please refer to the paragraph headed “Business – Business strategies” in this document.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured new business mainly through competitive tendering by receiving invitations for tender from customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the wet trades industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

Our pricing is generally determined based on certain mark-up over our estimated costs. 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 for the types of subcontracting services as well as materials and toolings required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the availability of our labour and financial resources.

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include the following: (i) most of our revenue during the Track Record Period was derived from projects awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance; (ii) our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses; (iii) unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operation and profitability; (iv) any material inaccurate cost estimation or cost overruns may adversely affect our financial results; and (v) we received government grants, which are non-recurring in nature, and there is no guarantee that we will continue to receive government grant at a similar level or at all. In particular, as part of the Government’s relief measures on COVID-19 pandemic, during FY2020/21, we received approximately HK\$2.0 million under the Employment Support Scheme under the Anti-epidemic Fund and HK\$17.1 million under the Constructions Industry Council’s Employment Support Scheme for the construction sector (casual employee), both of which are non-recurring in nature.

LOSS-MAKING PROJECT DURING THE TRACK RECORD PERIOD

During the Track Record Period, we recorded one loss-making project which involved wet trades works undertaken by us for a residential development in Tai Po, Hong Kong (i.e. Project #01). Project #01 has an adjusted contract sum of approximately HK\$141.6 million which represented our first project obtained from Sanfield. Project #01 commenced in March 2018 and completed in April 2021. During the project implementation of Project #01, we performed additional rectification works, which were unexpected during the tender stage of Project #01. As a result, we incurred additional costs for such rectification works and resulted in cost overrun for Project #01. In this regard, we recorded net loss of approximately HK\$6.9 million from

SUMMARY

Project #01 during the Track Record Period. For further details, please refer to the paragraph headed "Business – Projects undertaken during the Track Record Period – Loss-making project during the Track Record Period" in this document.

KEY OPERATIONAL AND FINANCIAL DATA

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

Consolidated statements of comprehensive income

	FY2018/19 HK\$'000	FY2019/20 HK\$'000	FY2020/21 HK\$'000	FY2021/22 HK\$'000
Revenue	447,920	513,154	440,369	456,432
Cost of services	(416,409)	(467,153)	(386,447)	(398,744)
Gross profit	31,511	46,001	53,922	57,688
Other income	85	208	19,628	592
Administrative expenses	(12,229)	(14,041)	(11,197)	(12,087)
[REDACTED] expenses (Impairment losses)/ reversal of impairment loss on trade receivables and contract assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	(146)	(220)	(216)	360
Operating profit	19,221	31,948	53,599	38,911
Finance income	40	127	34	1
Finance costs	(704)	(1,402)	(843)	(140)
Profit before income tax expense	18,557	30,673	52,790	38,772
Income tax expense	(2,867)	(4,863)	(6,751)	(7,478)
Profit and total comprehensive income for the year attributable to owners of the Company	15,690	25,810	46,039	31,294

Our revenue increased by approximately HK\$65.2 million or 14.6% from approximately HK\$447.9 million for FY2018/19 to approximately HK\$513.2 million for FY2019/20. Such increase in our revenue was mainly driven by (i) a substantial amount of works were performed by our Group for projects newly commenced in FY2019/20, namely Project #03 and Project #04; and (ii) increase in revenue contributed by some of our sizeable ongoing projects in FY2019/20 as a result of the increase in amount of works performed by our Group under Project #05, Project #06 and Project #12.

Our revenue decreased from approximately HK\$513.2 million for FY2019/20 to approximately HK\$440.4 million for FY2020/21, representing a decrease of approximately HK\$72.8 million or 14.2%. Such decrease in our revenue was mainly driven by (i) decrease in the overall market opportunities in the wet trades works industry in Hong Kong which was mainly attributable to the temporary impact of the outbreak of COVID-19 in 2020; (ii) Project #03 and Project #06 contributed a relatively lower revenue for FY2020/21, as compared to FY2019/20; and (iii) some projects had been substantially completed in FY2019/20 while new projects with large contract sum were awarded or commenced works after the third quarter of 2020 onwards.

Our revenue increased from approximately HK\$440.4 million for FY2020/21 to approximately HK\$456.4 million for FY2021/22, representing an increase of approximately HK\$16.1 million or 3.6%. Such increase in our revenue was mainly driven by the increase in the amount of works performed by our Group in some of our ongoing sizeable projects, including Project #16, a private residential project in Wong Chuk Hang, which contributed approximately HK\$61.4 million to our revenue during FY2021/22 (FY2020/21: approximately HK\$6.9 million).

SUMMARY

For further details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations” in this document.

Our profit and total comprehensive income for the year increased from approximately HK\$15.7 million for FY2018/19 to approximately HK\$25.8 million for FY2019/20, mainly due to the increase in our revenue and gross profit. Our profit and total comprehensive income for the year increased from approximately HK\$25.8 million for FY2019/20 to approximately HK\$46.0 million for FY2020/21, mainly due to the increase in our gross profit and other income, which was partially offset by the recognition of the non-recurring [REDACTED] of approximately HK\$8.5 million for FY2020/21. Our profit and total comprehensive income for the year decreased from approximately HK\$46.0 million for FY2020/21 to approximately HK\$31.3 million for FY2021/22, mainly driven by the decrease in our other income of approximately HK\$19.0 million, which was partially offset by the increase in our revenue and gross profit.

Highlights of our consolidated statements of financial position

	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>	As at 31 March 2021 <i>HK\$'000</i>	As at 31 March 2022 <i>HK\$'000</i>
Non-current assets	3,067	2,180	1,986	2,695
Current assets	161,357	175,534	185,263	196,477
Non-current liabilities	1,271	492	176	527
Current liabilities	122,980	112,489	75,911	56,189
Net current assets	38,377	63,045	109,352	140,288
Net assets	40,173	64,733	111,162	142,456

Our current assets increased from approximately HK\$161.4 million as at 31 March 2019 to approximately HK\$175.5 million as at 31 March 2020, mainly due to the increase in our trade receivables and contract assets, which was partially offset by the decrease in cash and cash equivalents. Our current assets increased from approximately HK\$175.5 million as at 31 March 2020 to approximately HK\$185.3 million as at 31 March 2021, mainly due to the increase in contract assets and cash and cash equivalents, which was partially offset by the decrease in trade receivables and tax recoverable. Our current assets increased from approximately HK\$185.3 million as at 31 March 2021 to approximately HK\$196.5 million as at 31 March 2022, mainly due to the increase in contract assets and cash and cash equivalents, which was partially offset by the decrease in trade receivables and pledged short-term bank deposits.

Our current liabilities decreased from approximately HK\$123.0 million as at 31 March 2019 to approximately HK\$112.5 million as at 31 March 2020, mainly due to the decrease in trade payables and contract liabilities, which was partially offset by the increase in bank borrowings. Our current liabilities decreased from approximately HK\$112.5 million as at 31 March 2020 to approximately HK\$75.9 million as at 31 March 2021, mainly due to the decrease in bank borrowings, amount due to a director and contract liabilities, which was partially offset by the increase in trade payables and current income tax liabilities. Our current liabilities decreased from approximately HK\$75.9 million as at 31 March 2021 to approximately HK\$56.2 million as at 31 March 2022, mainly due to the decrease in accruals and other payables, amount due to a director and current income tax liabilities.

Our net current assets increased from approximately HK\$38.4 million as at 31 March 2019 to approximately HK\$63.0 million as at 31 March 2020. The increase in our net current assets was mainly due to (i) the increase in our current assets of approximately HK\$14.2 million or 8.8%, in particular, the increase in our contract assets of approximately HK\$25.5 million as a result of our overall business growth and our profitable operation, and (ii) the decrease in our current liabilities of approximately HK\$10.5 million or 8.5%.

Our net current assets further increased to approximately HK\$109.4 million as at 31 March 2021. The increase in our net current assets was mainly due to (i) the decrease in our current liabilities of approximately HK\$36.6 million or 32.5%, in particular, the decrease in our bank borrowings of approximately HK\$34.5 million as we repaid some bank borrowings during FY2020/21, and (ii) the increase in our current assets of approximately HK\$9.7 million or 5.5%. For further details, please refer to the paragraph headed “Financial information – Net current assets” in this document.

SUMMARY

As at 31 March 2022, our net current assets amounted to approximately HK\$140.3 million. Such increase was primarily due to (i) the increase in our current assets of approximately HK\$11.2 million as a result of our profitable operation; and (ii) the decrease in our current liabilities of approximately HK\$19.7 million or 26.0%, in particular, the decrease in our accruals and other payables. For further details, please refer to the paragraph headed “Financial information – Net current assets” in this document.

Our net assets increased from approximately HK\$40.2 million as at 31 March 2019 to approximately HK\$64.7 million as at 31 March 2020, which was attributable to the recognition of the profit and total comprehensive income for FY2019/20 of approximately HK\$25.8 million and such increase was partially offset by the dividend declared during the corresponding year of approximately HK\$1.3 million. Our net assets further increased to approximately HK\$111.2 million and HK\$142.5 million as at 31 March 2021 and 2022, respectively, and such increase was primarily due to the recognition of profit and total comprehensive income for FY2020/21 and FY2021/22 of approximately HK\$46.0 million and HK\$31.3 million, respectively.

Highlights of consolidated statements of cash flows

	FY2018/19 <i>HK\$'000</i>	FY2019/20 <i>HK\$'000</i>	FY2020/21 <i>HK\$'000</i>	FY2021/22 <i>HK\$'000</i>
Operating profit before changes in working capital	20,556	37,874	55,067	39,868
Changes in working capital	(45,924)	(56,654)	(3,395)	(9,360)
Income tax (paid)/refunded, net	(23,775)	29	7,216	(16,155)
Net cash (used in)/generated from operating activities	(49,143)	(18,751)	58,888	14,353
Net cash used in investing activities	(462)	(205)	(1,288)	(873)
Net cash generated from/(used in) financing activities	8,103	(13,901)	(32,224)	(2,003)
Net (decrease)/increase in cash and cash equivalents	(41,502)	(32,857)	25,376	11,477
Cash and cash equivalents at beginning of the year	65,052	23,550	(9,307)	16,069
Cash and cash equivalents at end of the year	<u>23,550</u>	<u>(9,307)</u>	<u>16,069</u>	<u>27,546</u>

Our Group recorded net cash used in operating activities of approximately HK\$49.1 million and HK\$18.8 million for FY2018/19 and FY2019/20, respectively. Such net operating cash outflows were primarily attributable to (i) the rectification works performed under Project #01, which resulted in net cash outflows of approximately HK\$14.3 million and HK\$7.0 million during FY2018/19 and FY2019/20, respectively. As the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we have performed additional rectification works, which resulted in cost overrun; and (ii) the up-front costs incurred for projects at its early stage, such as, Project #05, which recorded net cash outflows of approximately HK\$1.7 million during FY2018/19, Project #09, which recorded net cash outflows of approximately HK\$7.8 million during FY2019/20, and Project #13, which recorded net cash outflows of approximately HK\$5.3 million during FY2019/20. Please refer to “Financial information – Liquidity and capital resources – Cash flows from operating activities” in this document for further details.

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Key financial ratio

	FY2018/19 or as at 31 March 2019	FY2019/20 or as at 31 March 2020	FY2020/21 or as at 31 March 2021	FY2021/22 or as at 31 March 2022
Revenue growth	N/A	14.6%	(14.2)%	3.6%
Net profit growth	N/A	64.5%	78.4%	(32.0)%
Gross profit margin	7.0%	9.0%	12.2%	12.6%
Net profit margin	3.5%	5.0%	10.5%	6.9%
Return on equity	39.1%	39.9%	41.4%	22.0%
Return on total assets	9.5%	14.5%	24.6%	15.7%
Current ratio	1.3 times	1.6 times	2.4 times	3.5 times
Quick ratio	1.3 times	1.6 times	2.4 times	3.5 times
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	22.2 days	32.5 days	36.6 days	25.2 days
Trade payables turnover days	17.7 days	17.0 days	19.9 days	24.7 days
Gearing ratio	75.2%	57.4%	2.4%	Nil
Net debt to equity ratio	7.4%	46.8%	Net cash	Net cash
Interest coverage	28.9 times	25.1 times	66.3 times	279.9 times

Our gross profit margin increased from approximately 7.0% for FY2018/19 to approximately 9.0% for FY2019/20, which was mainly because we recorded a lower gross profit margin for Project #02 which contributed a relatively higher revenue in FY2018/19 as compared to that in FY2019/20. Our gross profit margin increased from approximately 9.0% for FY2019/20 to approximately 12.2% for FY2020/21. We recorded a relatively lower gross profit margin for FY2019/20, which was mainly due to our loss-making project, namely Project #01. In comparison, we did not record any loss in respect of any of the projects undertaken by us in FY2020/21. For further details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations” in this document.

Our trade receivables turnover days were approximately 22.2 days, 32.5 days, 36.6 days and 25.2 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The trade receivables turnover days for the Track Record Period were generally in line with our credit term that we granted to our customers.

Our gearing ratio decreased from approximately 75.2% as at 31 March 2019 to approximately 57.4% as at 31 March 2020. The decrease in our gearing ratio was mainly due to the increase in our total equity of approximately 61.1% which outweighed the increase in our bank borrowings of approximately 22.8%. Our gearing ratio further decreased to approximately 2.4% as at 31 March 2021. Such decrease was mainly due to the decrease in our bank borrowings of approximately HK\$34.5 million as at 31 March 2021 as compared to that as at 31 March 2020. Our gearing ratio further decreased to nil as at 31 March 2022, as there was no outstanding bank borrowings as at 31 March 2022.

Our interest coverage decreased from approximately 28.9 times as at 31 March 2019 to approximately 25.1 times as at 31 March 2020. Such decrease was mainly due to the increase in bank borrowings from FY2018/19 to FY2019/20 which resulted in a higher interest expenses. Our interest coverage increased to approximately 66.3 times and 279.9 times as at 31 March 2021 and 2022, respectively. The increase in interest coverage was mainly due to the decrease in our bank borrowings in FY2020/21 and FY2021/22 which resulted in lower interest expenses.

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Evolve Billion. Evolve Billion is an investment holding company incorporated in BVI and is owned as to 80% by Mr. KS Chan and 20% by Mr. WP Chan. On the basis of (i) the Acting in Concert Undertaking; and (ii) that Mr. KS Chan and Mr. WP Chan hold their respective interests in our Company through a common investment holding company, i.e. Evolve Billion, which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company. Evolve Billion, Mr. KS Chan and Mr. WP Chan are regarded as a group of Controlling Shareholders under the Listing Rules. For details of the Acting in

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Concert Undertaking, please refer to the paragraph headed “History, development and reorganisation – Acting in Concert Undertaking” in this document.

OCCUPATIONAL HEALTH AND WORK SAFETY

During the Track Record Period and up to the Latest Practicable Date, we recorded 54 accidents involving our employees and/or employees of our subcontractors, including one fatal accident occurred in December 2019. In December 2019, a fatal accident occurred at the site of Lohas Park, New Territories, Hong Kong (the “**Lohas Park Site**”) under Project #10, at which our Group was engaged to provide wet trade works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker fell down from height when performing tile finishing works on the bamboo scaffolding working platform at the Lohas Park Site (the “**Lohas Park Accident**”). In light of the Lohas Park Accident, the Labour Department had issued three suspension notices in accordance with the Occupational Safety and Health Ordinance to Chan Kiu on 11 December 2019, all of which were revoked by 12 March 2020. For further details, please refer to the paragraph headed “Business – Occupational health and work safety – Fatal accident occurred in December 2019” in this document.

In May 2021, an accident occurred at the site of Wong Chuk Hang, Hong Kong Island, Hong Kong (the “**Wong Chuk Hang Site**”) under Project #16, at which our Group was engaged to provide wet trades works. One construction worker, being an employee of a subcontractor of our Group, sustained injury during the course of work. It was alleged that the worker fell down from height. The actual cause of the accident is still under investigation and the nature and severity of injuries are still unknown as at the Latest Practicable Date. To the best of our Directors’ knowledge, the injured worker is in a stable condition (the “**Wong Chuk Hang Accident**”). In light of the Wong Chuk Hang Accident, the Labour Department issued a suspension notice (the “**Wong Chuk Hang Suspension Notice**”) in accordance with the Occupational Safety and Health Ordinance to Chan Kiu on 20 May 2021, pursuant to which tile work on the external wall of the relevant towers located on the Wong Chuk Hang Site shall be suspended until further notice and/or revocation of the notice. The Labour Department had revoked the Wong Chuk Hang Suspension Notice on 22 June 2021 and thereafter we had resumed the tile works on the external wall of the relevant towers accordingly. For further details, please refer to the paragraph headed “Business – Occupational health and work safety – Wong Chuk Hang Suspension Notice in May 2021” in this document.

Impact of the outbreak of COVID-19 on our operations

In late January 2021, several confirmed COVID-19 cases were reported at the project site of Project #18 located in Yau Ma Tei. Construction works at the site was suspended for 14 days with effect from 28 January 2021 and had resumed subsequent to the suspension. The temporary work suspension at the project site of Project #18 did not result in material business or financial impact to our Group, taking into consideration (i) based on the best estimation of our management, the current project status of Project #18 was in line with its expected project schedule; (ii) we did not receive any other suspension order or notice in relation to Project #18 after the temporary work suspension and up to the Latest Practicable Date; and (iii) we did not experience any cancellation of work orders in respect of Project #18 as at the Latest Practicable Date as a result of the temporary work suspension.

Since January 2022 and up to April 2022, Hong Kong has recorded the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the “**Fifth Wave Outbreak**”), as the daily number of confirmed cases increased significantly during the period. To a certain extent, we were adversely affected by the Fifth Wave Outbreak from February 2022 to April 2022, details of which are set out as follows:

- Some of our employees and our subcontractors’ employees have been tested positive of COVID-19. We recorded 28 confirmed cases relating to our employees. To the best knowledge of our Directors after making reasonable enquiries up to the Latest Practicable Date, save as two employees who have been tested positive in early July 2022, all of our employees who were previously tested positive for COVID-19 have already resumed work as at the Latest Practicable Date;

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- Confirmed COVID-19 cases were reported at the project sites of three of our projects, namely Project #18, #19 and O15 during the Fifth Wave Outbreak. In order to contain the transmission of COVID-19 and to allow for thorough disinfection, all construction activities on the project sites were temporarily suspended (collectively, the “**Temporary Works Suspensions**”). Project #18 was suspended for three days, Project #19 was suspended for two days and Project O15 was suspended for four days, mainly for disinfection. As at the Latest Practicable Date, the Temporary Works Suspensions have been lifted and we have resumed work on the aforementioned projects. Our Directors confirmed that the impact of the Temporary Works Suspensions to our Group was temporary and not material, taking into consideration that (i) the Temporary Works Suspensions were short-lived and did not result in any material delay in the project schedule; (ii) we have resumed business operation in full scale since early-April 2022 and we had not experienced any material operational disruption thereafter; (iii) based on the best estimation of our management, the projects affected by the Temporary Works Suspensions are expected to complete according to their respective project schedule; and (iv) we did not experience any cancellation of existing work orders in respect of the projects affected by the Temporary Works Suspensions; and
- Our Group experienced temporary disruption to the supply of materials and toolings from February 2022 to late-April 2022 due to brief disruption to the supply chain and cross-border transportation, which resulted in temporary impediment to our operation during the Fifth Wave Outbreak. Our Directors consider that the temporary disruption to the supply of materials and toolings did not have long-lasting adverse impact on our operation taking into consideration (i) the supply chain for construction materials and toolings and cross-border transportation have resumed to normal level since late-April 2022 and we have not experienced any material disruption in the supply of materials and toolings thereafter; and (ii) we have used our best endeavour to mitigate the impact of disruption through sourcing materials and toolings from suppliers with adequate inventories.

The Fifth Wave Outbreak resulted in certain adverse impact to our Group’s business operations and financial performance. Based on our unaudited management account, our revenue decreased by approximately 30% and our gross profit decreased by approximately 20% for the three months ended 31 March 2022, as compared to the corresponding period in 2021. Meanwhile, our operation has fully resumed since late-April 2022.

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. For further details, please refer to the paragraph headed “Business – Occupational health and work safety – Confirmed cases of COVID-19 at the project sites of our projects” in this document.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group was convicted of five summonses in respect of non-compliance with the Construction Sites (Safety) Regulations. In addition, there were five instances where we failed to report work injuries of our employees within the prescribed time limit under the Employees’ Compensation Ordinance during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the paragraph headed “Business – Legal compliance” in this document.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in a number of claims, litigations and potential claims against our Group in the ordinary and usual course of our business. As at the Latest Practicable Date, there were nine ongoing civil litigations and five ongoing criminal litigations against our Group. In addition, our Group was involved in 27 settled litigations during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the paragraph headed “Business – Litigations and claims” in this document.

SUMMARY

OFFERING STATISTICS

Number of the [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])

[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED] (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and Financial Reporting Council transaction levy)

	Based on an [REDACTED] of HK\$[REDACTED] per Share <i>HK\$</i>	Based on an [REDACTED] of HK\$[REDACTED] per Share <i>HK\$</i>
Market capitalisation <i>(Note 1)</i>	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share <i>(Note 2)</i>	[REDACTED]	[REDACTED]

Notes:

1. The calculation of the market capitalisation of the Shares is based on [REDACTED] Shares in issue and to be issued immediately after completion of the [REDACTED] and taking no account of any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme or Shares which may allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate.
2. Please refer to Appendix II to this document for the bases and assumptions in calculating the figures.

[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], comprising (i) [REDACTED], including [REDACTED] and other expenses, of approximately HK\$[REDACTED]; and (ii) [REDACTED] of approximately HK\$[REDACTED], including (a) fees paid and payable to legal advisers and reporting accountant of approximately HK\$[REDACTED]; and (b) other fees and expenses, including sponsor fees, of approximately HK\$[REDACTED]. Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED]), the gross [REDACTED] from the [REDACTED] are expected to be approximately HK\$[REDACTED]. The estimated expenses in relation to the [REDACTED] represent approximately [REDACTED] of the gross [REDACTED] from the [REDACTED]. Out of the amount of approximately HK\$[REDACTED], approximately HK\$[REDACTED] is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] that shall be charged to profit or loss, [REDACTED] has been charged for FY2018/19 and FY2019/20, while approximately HK\$[REDACTED] and HK\$[REDACTED] have been charged for FY2020/21 and FY2021/22 and approximately HK\$[REDACTED] is expected to be incurred for FY2022/23.

FUTURE PLANS AND USE OF [REDACTED]

The [REDACTED] to be received by us from the [REDACTED] (assuming the [REDACTED] is not exercised) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting related expenses in connection with the [REDACTED], are estimated to be approximately HK\$[REDACTED] million. Our Directors presently intend that the [REDACTED] will be applied as follows: (i) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for financing the up-front costs of our projects; (ii) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for expanding our manpower and leasing an additional office; (iii) approximately

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HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for purchasing machinery and motor vehicles; (iv) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for procuring an enterprise resources planning system; (v) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for purchasing planks and toe-boards to further strengthen our occupational safety; and (vi) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be reserved as our general working capital.

DIVIDEND

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we declared and paid out dividends of HK\$6 million, approximately HK\$1.3 million, nil and nil, respectively, to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had 41 projects on hand with an aggregate of approximately HK\$789.2 million yet to be recognised as revenue after the Track Record Period, among which, approximately HK\$454.6 million and HK\$334.6 million are expected to be recognised as revenue for FY2022/23 and FY2023/24 onwards, respectively. For further details, please refer to the paragraph headed “Business – Projects on hand” in this document. Subsequent to the Track Record Period, we were awarded with one private residential project from a new customer and one public infrastructure and public facilities project from Customer Group A, with aggregate initial contract sum of approximately HK\$4.9 million. Based on our unaudited management account, our revenue and gross profit for the two months ended 31 May 2022 decreased slightly, as compared to the corresponding period in 2021, mainly attributable to the Fifth Wave Outbreak which resulted in certain adverse impact to our Group’s business operations until late April 2022.

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 March 2022, and there had been no events since 31 March 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“Accountant’s Report”	the accountant’s report of our Company, the text of which is set forth in Appendix I to this document
“Acting in Concert Undertaking”	a confirmation and undertaking executed between Mr. KS Chan and Mr. WP Chan dated 5 November 2020. For details, please refer to the paragraph headed “History, development and Reorganisation – Acting in Concert Undertaking” in this document
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on [•], a summary of which is set out in Appendix III to this document, as supplemented, amended or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
[REDACTED]	[REDACTED]
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
[REDACTED]	the issue of [REDACTED] Shares upon capitalisation of part of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Group – 5. Written resolutions of our sole Shareholder passed on [•]” in Appendix IV to this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
[REDACTED]	[REDACTED]
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chan Kiu”	Chan Kiu Construction Decoration Engineering Limited (陳橋建築泥水裝飾工程有限公司), a company incorporated in Hong Kong with limited liability on 18 October 2007, and an indirect wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	GC Construction Holdings Limited (formerly known as Chan Kiu Engineering Holdings Limited (陳橋工程控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 28 April 2020
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Industry Council”	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Construction Sites (Safety) Regulations”	the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and in the context of this document, refers to Mr. KS Chan, Mr. WP Chan and Evolve Billion
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“COVID-19”	the coronavirus pandemic, an ongoing global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Deed of Indemnity”	the deed of indemnity dated [•] executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed “E. Other information – 1. Tax and other indemnities” in Appendix IV to this document
“Deed of Non-Competition”	the deed of non-competition dated [•] executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding the non-competition undertakings as more particularly set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in this document
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“Evolve Billion”	Evolve Billion Limited (進億有限公司), a company incorporated in BVI with limited liability on 21 April 2020 and one of our Controlling Shareholders
“Extreme Conditions”	the extreme conditions the government of Hong Kong may announce in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides, or large-scale power outage caused by super typhoons according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“F&S”	Frost & Sullivan Limited, an independent market research agency, which is an independent third party

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“First Group”	First Group consists of two private companies, namely NK Construction Company Limited and New Standard Construction Company Limited. First Group is one of our top customers and an independent third party
“FY2017/18”	the financial year ended 31 March 2018
“FY2018/19”	the financial year ended 31 March 2019
“FY2019/20”	the financial year ended 31 March 2020
“FY2020/21”	the financial year ended 31 March 2021
“FY2021/22”	the financial year ended 31 March 2022
“FY2022/23”	the financial year ending 31 March 2023
“FY2023/24”	the financial year ending 31 March 2024
“FY2024/25”	the financial year ending 31 March 2025
“Government”	the Government of the Hong Kong Special Administrative Region
“Grande Capital” or “Sponsor”	Grande Capital Limited, the sponsor of our Company for the [REDACTED] and a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO
[REDACTED]	[REDACTED]
“Group”, “we”, “us” or “our Group”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]
“Housing Authority”	the Hong Kong Housing Authority, a statutory body in Hong Kong established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong), which is responsible for developing and implementing Hong Kong’s public housing programme
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, Substantial Shareholders or any of its subsidiaries, or any of their respective associates
“Industry Report”	a market research report commissioned by us and prepared by F&S on the overview of the industry in which our Group operates
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001”	an environmental management system standard that maps out a framework that a company or organisation can follow to set up an effective environmental management system, to provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved
“ISO 14001:2015”	the 2015 version of the ISO 14001 standard

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ISO 45001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“ISO 45001:2018”	the 2018 version of the ISO 45001 standard
“ISO 9001”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“ISO 9001:2015”	the 2015 version of the ISO 9001 standard
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	[8 July 2022], being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“main contractor”	in respect of a construction project, a contractor who is appointed by the project owner and who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company approved and adopted on [•], a summary of which is set out in Appendix III to this document, as supplemented, amended or otherwise modified from time to time
“Mr. KS Chan”	Mr. Chan Kiu Sum (陳橋森先生), the chairman of our Board, the chief executive officer of our Group, our executive Director and one of our Controlling Shareholders. Mr. KS Chan is the cousin-in-law of Mr. WP Chan
“Mr. WP Chan”	Mr. Chan Wing Ping (陳永平先生), our executive Director and one of our Controlling Shareholders. Mr. WP Chan is the cousin-in-law of Mr. KS Chan
“Ms. Tsang”	Ms. Tsang Chiu Ching (曾肖貞女士), the spouse of Mr. KS Chan
“Nomination Committee”	the nomination committee of the Board
“NRMM(s)”	non-road mobile machinery
“NRMM Regulation”	the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“OHSAS 18001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“OHSAS 18001:2007”	the 2007 version of the OHSAS 18001 standard

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

“PRC”

the People’s Republic of China, which for the purpose of this document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

[REDACTED]

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

[REDACTED]

"private sector projects"

works contracts that are not public sector projects

"Project #XX"

the top projects with accumulated revenue contribution to our Group of HK\$40.0 million or above during the Track Record Period, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period – Top projects undertaken during the Track Record Period" in this document

"Project OXX"

some of our projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced as at the Latest Practicable Date, details of which are set out in the paragraph headed "Business – Projects on hand" in this document

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“public sector projects”	works contracts of which the ultimate project owner is Government department or statutory body
“Registered Specialist Trade Contractors Scheme”	Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council
“Regulated Machine(s)”	any mobile machine(s) or transportable industrial equipment(s) (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) that is/are powered by an internal combustion engine with a rated engine power output that is greater than 19 kW but not greater than 560 kW
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group for the purpose of the [REDACTED], details of which are set out in the section headed “History, development and Reorganisation” in this document
“Safety Consultant”	Garron Holdings Limited, an independent safety consultant
“Sanfield”	Sanfield (Management) Limited, being one of our top customers and an independent third party
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
[REDACTED]	[REDACTED]
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [•], the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Shareholder(s)”	holder(s) of the Share(s)
“sq.ft.”	square foot
[REDACTED]	[REDACTED]
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Evolve Billion and the [REDACTED] , pursuant to which the [REDACTED] may borrow up to [REDACTED] Shares to cover any over-allocations in the [REDACTED]
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontractor Registration Scheme”	Subcontractor Registration Scheme of the Construction Industry Council, which was substituted by the Registered Specialist Trade Contractors Scheme since 1 April 2019
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2018/19, FY2019/20, FY2020/21 and FY2021/22
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	the Securities Act of 1933 of the United States, as amended, modified and supplemented from time to time
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“variation order(s)”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include additional or alteration of works beyond the scope of the contract during project implementation
“Wai Wai Prestige”	Wai Wai Prestige Company Limited (威威有限公司), a company incorporated in BVI with limited liability on 8 May 2020, and a direct wholly-owned subsidiary of our Company
“Ying Wai”	Ying Wai (Chan Kiu) Construction Engineering Co., Limited (盈威(陳橋)建築泥水工程有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2005, and an indirect wholly-owned subsidiary of our Company
“Ying Ying”	Ying Ying Company Limited (盈盈有限公司), a company incorporated in BVI with limited liability on 8 May 2020, and a direct wholly-owned subsidiary of our Company
“%”	per cent

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong and the world in general.

These statements are based on various assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” of this document.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section.

In this document, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

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Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the [REDACTED] of the Shares could decline due to any of these risks, and you may lose all or part of your investments.

This document contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this document. Factors that could contribute to such differences are set out below as well as in other parts in this document.

RISKS RELATING TO OUR BUSINESS

Most of our revenue during the Track Record Period was derived from projects awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers for FY2018/19, FY2019/20, FY2020/21 and FY2021/22 accounted for approximately 90.5%, 91.6%, 79.8% and 89.5% of our revenue in the corresponding periods, respectively. In particular, Customer Group A contributed approximately 35.4%, 56.3%, 37.9% and 42.9% of our revenue for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. We were engaged by our customers on a project-by-project basis during the Track Record Period. There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

Our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we recorded a tender success rate of approximately 14.0%, 21.6%, 12.6% and 18.0%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our

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pricing and tender strategy, competitors' tender and pricing strategy, the availability of our resources and subcontractors, level of competition and our customers' evaluation standards. Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operation and profitability

We have focused on the role of project management in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. For further details, please refer to the paragraph headed "Business – Our suppliers – Reasons for subcontracting arrangement" in this document. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our subcontracting fees amounted to approximately HK\$372.3 million, HK\$412.3 million, HK\$333.6 million and HK\$332.9 million, respectively, representing approximately 94.8%, 92.8%, 91.5% and 89.2% of our total purchase, respectively. There is no assurance that the work quality of our subcontractors can always meet our requirements. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could impact upon our profitability, financial performance and reputation. 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.

In the event that our subcontractors fail to follow the safety guidelines and other requirements imposed by our customers, we may be liable to pay to our customers the expenses and penalties incurred by them. Although we are entitled to be compensated by our subcontractors in relation to such penalties under the subcontracting agreement, we may not be able to claim from such subcontractors in order to maintain a stable relationship with our major subcontractors. In such event, we may be subject to additional costs and penalties incurred by our subcontractors in relation to their failure to comply with the safety procedures and other requirements imposed by our customers.

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Any material inaccurate cost estimation or cost overruns may adversely affect our financial results

When determining our tender price, our management would estimate the time and costs involved in a project taking into account (i) the scope of works; (ii) the price trend for the types of subcontracting services as well as materials and toolings required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the availability of our labour and financial resources. For further details on our pricing strategy, please refer to the paragraph headed “Business – Pricing strategy” in this document.

There is no assurance that the actual amount of time and costs incurred during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of materials agreed to be borne by us, unexpected increase in the amount of rectification works requested by our customers and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group’s financial condition, profitability and liquidity.

During the Track Record Period, we recorded one loss-making project which involved wet trades works undertaken by us for a residential development in Tai Po, Hong Kong (i.e. Project #01). During the project implementation of Project #01, we performed additional rectification works, which were unexpected during the tender stage of Project #01. As a result, we incurred additional costs for such rectification works and resulted in cost overrun for Project #01. In this regard, we recorded net loss of approximately HK\$6.9 million from Project #01 during the Track Record Period. For further details of the loss-making project, please refer to the paragraph headed “Business – Loss-making project during the Track Record Period” in this document.

During the Track Record Period, our contracts with customers are generally on re-measurement basis and occasionally on a lump sum price basis or a combination of lump sum price items and re-measurement items, while our contracts with our subcontractors are generally on re-measurement basis. In the event that our contracts with customers are on a lump sum price basis and the cost of subcontracting increases and we are unable to pass on the risk of increased subcontracting fees to our customers, our profitability may be adversely affected.

The total actual value of work done may differ from the original estimated contract sum stated in our contracts with customers

During the Track Record Period, our contracts with customers are generally on re-measurement basis. Depending on our negotiations with customers, some of our customers may also engage us based on a lump sum price or a combination of lump sum price items and re-measurement items. In respect of re-measurement items, the contract will specify an estimated

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contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to our customer's instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done. In respect of lump sum price items, we are generally required to carry out the specified works required by our customers of fixed quantity at an agreed fixed price.

Our customers may request additional, reduction or alteration of works beyond the scope of the contract during project implementation by placing variation orders with us. The aggregate amount of revenue that we are able to derive from a project may be different from the original estimated contract sum specified in the relevant contract due to variation orders placed by our customers. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our revenue attributable to the variation orders amounted to approximately HK\$42.9 million, HK\$73.5 million, HK\$77.9 million and HK\$72.8 million, representing approximately 9.6%, 14.3%, 17.7% and 16.0% of our total revenue in the corresponding financial year, respectively. For further details on our variation orders, please refer to the paragraph headed "Business – Our customers – Principal terms of engagement" in this document. As such, there is no assurance that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects will not be substantially different from the original estimated contract sum as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders. As a result, there is no assurance that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

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

We may experience net cash outflows as project up-front costs at the preliminary stage of a project. The up-front costs of our projects generally include subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs. As advised by F&S, while the nature and quantum of project up-front costs incurred varies from project to project, the average amount of up-front costs incurred for wet trades works project is generally within the range of approximately 10% to 25% of the contract sum and may vary depending on the size and duration of the project, the payment practice of different contractors and the relationship between the relevant parties involved. Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months (the "Up-front Period"). Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 20% of the contract sum of the project. Our customers generally make progress payments according to

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our work progress, and such payments are required to be certified by our customers before we issue an invoice to our customers. In addition, our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of the main contractor or project owner. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts. As at 31 March 2019, 2020, 2021 and 2022, retention receivables of approximately HK\$43.9 million, HK\$46.2 million, HK\$50.0 million and HK\$57.7 million, respectively, were retained by our customers as retention monies. For further information, please refer to the paragraph headed “Business – Our customers – Principal terms of engagement” in this document.

Accordingly, our cash flow typically turns from net outflows at the early stage of a project into accumulative net inflows gradually 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 monies from various projects are being withheld by our customers at any given point of time, our liquidity may be materially and adversely affected.

We received government grants, which are non-recurring in nature, and there is no guarantee that we will continue to receive government grant at a similar level or at all

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our Group received government grants of approximately HK\$85,000, HK\$0.2 million, HK\$19.6 million and HK\$0.6 million, respectively. In particular, as part of the Government’s relief measures on COVID-19 pandemic, during FY2020/21, we received approximately HK\$2.0 million under the Employment Support Scheme under the Anti-epidemic Fund and HK\$17.1 million under the Construction Industry Council’s Employment Support Scheme for the construction sector (casual employee), both of which are non-recurring in nature. For further details on the government grants received by our Group, please refer to the paragraph headed “Financial information – Principal components of results of operations – Other income” in this document.

As those Government’s relief measures on COVID-19 pandemic are non-recurring in nature, we cannot guarantee that we will continue to receive the aforesaid government grants at a similar level or at all. In the event of any changes in government measures or policies, resulting in any suspension, material reduction or termination of government grants received by our Group, our profitability, financial conditions and results of operations may be materially and adversely affected.

We are subject to credit risk in relation to the collectability of our trade receivables and contract assets

A contract asset represents our Group’s right to consideration from customers in exchange for the provision of wet trades works that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has provided the wet trades works under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or

RISK FACTORS

other representatives appointed by the customers and/or our Group’s right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when our Group’s right to payment becomes unconditional other than passage of time.

Our Group recorded contract assets (net of provision for impairment) of approximately HK\$77.0 million, HK\$102.5 million, HK\$117.3 million and HK\$130.3 million as at 31 March 2019, 2020, 2021 and 2022, respectively. Our Group’s contract assets comprised (i) unbilled revenue; and (ii) retention receivables for wet trades works.

Our Group recorded unbilled revenue of approximately HK\$33.2 million, HK\$56.6 million, HK\$67.8 million and HK\$72.8 million as at 31 March 2019, 2020, 2021 and 2022, respectively. In addition, our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of the main contractor or project owner. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts. As at 31 March 2019, 2020, 2021 and 2022, our retention receivables amounted to approximately HK\$43.9 million, HK\$46.2 million, HK\$50.0 million and HK\$57.7 million, respectively. Please refer to the paragraph headed “Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities” in this document for a further discussion and analysis regarding our unbilled revenue and retention receivables.

For details of the subsequent settlement of these contract assets, please refer to the paragraph headed “Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities – Subsequent billing and settlement” in this document. There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to the payment terms of the contracts and there is no assurance that the retention monies will be released by our customers to us on a timely basis and in full accordingly.

Further, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 March 2019, 2020, 2021 and 2022, we recorded trade receivables (net of provision for impairment) of approximately HK\$39.0 million, HK\$52.4 million, HK\$35.9 million and HK\$27.2 million, respectively. In the event that we are unable to collect a substantial portion of our trade receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

As at 31 March 2019, 2020, 2021 and 2022, our Group was exposed to concentration of credit risk on trade receivables and contract assets from our five largest customers amounting to approximately HK\$89.4 million, HK\$125.8 million, HK\$105.6 million and HK\$116.4 million and accounted for approximately 77%, 81%, 69% and 74% of the total trade receivables and contract assets balance, respectively. Any difficulty in collecting a substantial portion of our trade receivables and contract assets could materially and adversely affect our cash flows and financial positions.

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We recorded net cash used in operating activities for FY2018/19 and FY2019/20

We recorded net cash used in operating activities of approximately HK\$49.1 million and HK\$18.8 million for FY2018/19 and FY2019/20, respectively. Please refer to the paragraph headed "Financial information – Liquidity and capital resources – Cash flows" in this document for further information. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of billing to or receipts from our customers for our contract assets and trade receivables. For FY2018/19, FY2019/20 and FY2020/21, our Group recognised impairment losses on trade receivables and contract assets of approximately HK\$0.1 million, HK\$0.2 million and HK\$0.2 million, respectively. Net cash used in operating activities may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

Our performance depends on market conditions and trends in the wet trades industry and if there is any slowdown (in terms of transaction volume and price) of the property market in Hong Kong, the availability of wet trades works projects in Hong Kong may decrease significantly

During the Track Record Period, the majority of our revenue was derived from wet trades works for residential developments. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we derived approximately 89.0%, 91.3%, 70.4% and 63.1% of revenue from wet trades works in projects involving residential developments. The future development of the wet trades industry and the availability of wet trades works projects in Hong Kong depend largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available wet trades works projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of wet trades works projects in Hong Kong.

If there is any slowdown (in terms of transaction volume and price) of the property market in Hong Kong, there is no assurance that the availability of wet trades works projects in Hong Kong would not decrease significantly and our Group's business and financial position and prospect may be adversely and materially affected.

Any deterioration in the outbreak of COVID-19 may adversely affect our operation and financial condition

The first confirmed case of COVID-19 in Hong Kong was first reported in January 2020. Since then, there has been rounds of outbreak of COVID-19 in Hong Kong. The Government has announced various measures, including travel restrictions and safe distancing measures in order to reduce the risk of local transmission of COVID-19. There is no assurance that the outbreak of

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COVID-19 in Hong Kong can be effectively controlled and the Government will not impose more stringent measures such as closure of physical workplace premises, full-scale suspension of all business, social and other activities as well as other lockdown policy to control the spread of COVID-19.

In late January 2021, several confirmed COVID-19 cases were reported at the project site of Project #18 located in Yau Ma Tei (the “**Yau Ma Tei Site**”). For further details of Project #18, please refer to the paragraph headed “Business – Projects on hand” in this document. In order to contain the transmission of COVID-19 and to facilitate disinfection at the Yau Ma Tei Site, the Centre for Health Protection under the Department of Health of the Government advised that all construction activities at the Yau Ma Tei Site to be suspended for 14 days with effect from 28 January 2021. Construction works at the Yau Ma Tei Site had resumed subsequent to the temporary works suspension.

Since January 2022 and up to April 2022, Hong Kong has recorded the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the “**Fifth Wave Outbreak**”). Confirmed COVID-19 cases were reported at the project sites of three of our projects, namely Project #18, #19 and O15 during the Fifth Wave Outbreak. In order to contain the transmission of COVID-19 and to allow for thorough disinfection, all construction activities on the project sites were temporarily suspended. Project #18 was suspended for three days, Project #19 was suspended for two days and Project O15 was suspended for four days, mainly for disinfection. As at the Latest Practicable Date, all suspensions under Project #18, #19 and O15 have been lifted and we have resumed works on such projects.

Although we have not experienced major delay in the project status of Project #18, #19 and O15 as a result of their respective works suspension as at the Latest Practicable Date, if there is any occurrence of similar incident at any of our construction sites, this may result in material disruption or delay in construction works, which in turn could have an adverse impact on our ability to deliver works on time and hence impair our reputation, business, financial conditions and our relation with our customers. In addition, our gross profit margin may be adversely affected if there is any prolonged suspension due to COVID-19 as we may have to incur additional costs from (i) working overtime and engagement of additional subcontractors after resumption of works to avoid failure to complete according to the schedule; and (ii) additional machinery rental expenses since we may not be allowed to enter the site and mobilise those idle machinery to other construction sites.

The outbreak of COVID-19 in Hong Kong may have a material adverse impact on Hong Kong economy, which may result in a slowdown in the property market and lower the availability of wet trades works projects in Hong Kong. Any deterioration in the outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers and/or interruption of our business operations, temporary suspension or delay of the work progress of our projects. We cannot assure you that we will not experience any project delays or failure to complete our project according to the planned specifications, schedule and budget as a result of the outbreak of COVID-19, which may expose us to potential claims from customers for

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liquidated damages and result in adverse impact on our reputation, business, financial condition and results of operations.

Our operations may also be affected if any of our employees or employees of our subcontractors is suspected of contracting or contracted COVID-19, since this may require us and our subcontractors to quarantine some or all of the relevant employees and disinfect our project sites and facilities used for our operations. These adverse impacts, if materialise and persist for a substantial period of time, may significantly and adversely affect our business operations and financial performance.

In addition, if the Government introduces further measures to combat the spread of COVID-19 including import controls or lockdown policy on a city-wide scale, there is no assurance that our suppliers would be able to (a) maintain their normal business operation without disruptions; and/or (b) deliver the services, materials or subcontracting services to us without delay, and there is no guarantee that we would be able to source the services, materials or subcontracting services from alternative suppliers in time if such measures persist for a substantial period.

Events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our projects

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. Any such events could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs and/or prevent us from completing our projects, any one of which could materially and adversely affect our business, financial condition and results of operations.

In such event, our business operations may also be severely disrupted due to a negative impact on investor confidence and risk appetites, the fund-raising activities of issuers and proposed [REDACTED] applicants, the macroeconomic condition as well as the financial conditions in Hong Kong. Our business operations, financial condition as well as our fund-raising activities as contemplated by this document may be materially and adversely affected as a result.

Failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension or non-renewal of our registration under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council

Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. There is

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no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to negative publicity and/or suspension or non-renewal of our registration under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council, which in turn adversely affect our reputation, financial position and results of operation.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our business operations.

During the Track Record Period and up to the Latest Practicable Date, we recorded 54 accidents involving our employees and/or employees of our subcontractors which arose in the ordinary course of our business. For further details, please refer to the paragraph headed “Business – Occupational health and work safety” in this document. Although the risks of accidents or injuries to workers are inherent due to the nature of works in the construction industry, such accident record may adversely affect our industry reputation, which may in turn affect our prospect of receiving tender invitations from potential new customers or being awarded with future tenders from both our existing and potential new customers. Furthermore, we may have to incur additional costs to strengthen our safety management measures, such as recruiting additional safety supervision staff, which may have an adverse impact on our profitability.

In December 2019, a fatal accident occurred at the site of Lohas Park, New Territories, Hong Kong (the “**Lohas Park Site**”), at which our Group was engaged to provide wet trades works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker fell down from height when performing tile finishing works on the bamboo scaffolding working platform at the Lohas Park Site. For further details on the fatal accident, please refer to the paragraph headed “Business – Occupational health and work safety – Fatal accident occurred in December 2019” in this document.

In May 2021, an accident occurred at the site of Wong Chuk Hang, Hong Kong Island, Hong Kong (the “**Wong Chuk Hang Site**”) in a project where our Group was engaged to provide wet trades works. One construction worker, being an employee of a subcontractor of our Group, sustained injury during the course of work. It was alleged that the worker fell down from height. The actual cause of the accident is still under investigation and the nature and severity of

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injuries are still unknown as at the Latest Practicable Date. To the best of our Directors’ knowledge, the injured worker is in a stable condition (the “**Wong Chuk Hang Accident**”). In light of the Wong Chuk Hang Accident, the Labour Department issued a suspension notice (the “**Wong Chuk Hang Suspension Notice**”) in accordance with the Occupational Safety and Health Ordinance to Chan Kiu on 20 May 2021, pursuant to which tile work on the external wall of the relevant towers located on the Wong Chuk Hang Site shall be suspended until further notice and/or revocation of the notice. The Labour Department had revoked the Wong Chuk Hang Suspension Notice on 22 June 2021 and thereafter we had resumed the tile works on the external wall of the relevant towers accordingly. For further details on the accident, please refer to the paragraph headed “Business – Occupational health and work safety – Wong Chuk Hang Suspension Notice in May 2021” in this document.

We were involved in certain safety-related non-compliance incidents

Our operation is subject to certain safety-related laws and regulations. For further details, please refer to the paragraph headed “Regulatory Overview – Laws and regulations in relation to labour, health and safety”. During the Track Record Period, our Group was convicted of five summonses in respect of non-compliance with the Construction Sites (Safety) Regulations. For further details, please refer to the paragraph headed “Business – Non-compliance – Non-compliance with the Construction Sites (Safety) Regulations” in this document.

There is no assurance that safety-related non-compliance will never occur in the future due to human error or failure of our workers or our subcontractors’ workers in adhering to our safety measures. Any non-compliance or conviction records may adversely affect our reputation, and this may in turn affect our prospect of being awarded with future tenders. Further, if any non-compliance of similar or other nature occurs in the future, we may be subject to fines, business interruptions and/or other legal and operational consequences, which may adversely and materially affect our business operation and financial position.

We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business. In particular, there may be potential employees’ compensation claims and personal injury claims

We may be involved in claims and litigations in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time. Such claims may include in particular employees’ compensation claims and personal injury claims in relation to personal injuries suffered by workers as a result of accidents arising out of and in the course of employment of the injured workers. During the Track Record Period and up to the Latest Practicable Date, we were involved in a number of labour disputes, employees’ compensation claims, personal injury claims and criminal litigations which arose in the ordinary course of our business. Please refer to the paragraph headed “Business – Litigations and claims” in this document for further information.

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There is no assurance that we will not be involved in any claims or legal proceedings, nor can we assure you that any such claims or legal proceedings would not have a material adverse impact on our business. Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation if they were published by the press. If the aforesaid claims were successfully made against our Group and are not covered by insurance policies, we may need to pay damages and legal costs, which in turn could adversely affect our results of operations and financial position.

Our historical revenue, gross profit and gross profit margin may not be indicative of our future performance

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our gross profit amounted to approximately HK\$31.5 million, HK\$46.0 million, HK\$53.9 million and HK\$57.7 million, respectively; while our gross profit margin was approximately 7.0%, 9.0%, 12.2% and 12.6%, respectively. However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

There is an inherent risk in using our historical financial information to project our future financial performance, as they do not have any positive implication or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Hong Kong, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects.

In addition, our profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting a tender; (ii) the complexity and size of the project; (iii) subcontracting fees; (iv) prices of materials and toolings; and (v) our pricing strategy. There is no assurance that our profit margin will remain stable in the future and that we can maintain our current level of performance.

Our Group is dependent on key personnel and there is no assurance that our Group can retain them

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. KS Chan and Mr. WP Chan, each being our executive Director. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this document. Our key personnel as well as their management experience in the wet trades industry in Hong Kong are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operation should any of our executive Directors terminate his

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service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business and financial position and prospects of our Group could be materially and adversely affected.

Our ability to successfully tender for and undertake new projects is limited by the availability of our project management staff and subcontractors

During the Track Record Period, we have focused on the role of project management in carrying out our works. Therefore, our services capacity in undertaking several and sizeable wet trades works projects is largely limited by the availability of our in-house project management staff and our subcontractors. According to the Industry Report, shortage of experienced and skilled labour is a prolonged issue in the wet trades industry in Hong Kong. In view of the aforesaid, we may encounter difficulties in maintaining and recruiting sufficient number of project management staff or engaging suitable subcontractors for undertaking additional projects in the future.

During the Track Record Period, our Group had from time to time received invitations for tenders when our available resources were occupied by other projects on hand. On occasion, in order to (i) maintain our business relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market development and pricing trends which are useful for tendering projects in the future, we would respond to our customers' invitations by submitting tenders instead of turning them down. In such circumstances, our executive Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our tender price to become less competitive than those submitted by our competitors. Therefore, our ability to successfully tender for new projects may be affected by the availability of our project management staff. There is a risk that we may not be awarded with new contracts by our customers as our tenders may become relatively less competitive due to limitation in our service capacity.

Failure to complete our projects on a reliable and timely basis could materially affect our reputation, our financial performance or may subject us to claim

The contracts with our customers generally contain a liquidated damages clause under which we are liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in the contract. Liquidated damages are generally determined on the basis of a fixed sum per day.

Delay in a project may occur from time to time due to various unforeseen factors such as shortage of manpower, delays by subcontractors, industrial accidents, and delay in delivery of materials. If there is any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract. There is no assurance that there will not be any delay in our existing and future projects resulting in claims in relation to liquidated damages, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

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There is no assurance that we will be able to renew our registration under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council

Both of our principal operating subsidiaries, Chan Kiu and Ying Wai, are registered specialist trade contractors in the designated trade category of plastering (Group 2) under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Subcontractors engaged under public sector projects initiated by the Government are generally required to possess registration under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. Renewal of registration under the Registered Specialist Trade Contractors Scheme is required every three or five years and is generally subject to certain technical and relevant industry experience requirements. There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, our reputation, our ability to obtain future businesses, and our business and financial position and prospects could be materially and adversely affected.

We are exposed to claims arising from latent defects liability

We do not maintain any defects liability insurance and we may face claims arising from latent defects that are existing but not yet active, developed or visible, found in the works which are constructed by us or our subcontractors. If there is any significant claim against us for latent defects liability of any default or failure of our services by our customers or other party, our profitability may be adversely affected.

Our contracts generally include a defects liability period of 12 to 24 months, following the completion of the relevant site works. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

Our insurance coverage may not be adequate to cover potential liabilities

Certain risks disclosed elsewhere in this section such as risks in relation to customer concentration, our ability to obtain new contracts, our ability to retain and attract personnel, availability and performance of subcontractors, project and cost management, our ability to maintain and renew our registrations, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

Further, we may be subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered

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by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other forms of economic loss.

We cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospect.

Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon our planned acquisition of additional machinery and motor vehicles and our planned recruitment of additional staff

It is one of our business strategies to acquire additional machinery and motor vehicles by utilising a portion of the [REDACTED] from the [REDACTED] so as to cope with our business development, increase our overall efficiency, capacity and technical capability in performing wet trades works as well as our ability to cater for different needs and requirements of different customers. Please refer to the section headed “Future plans and use of [REDACTED]” in this document for details of the types of machinery to be purchased. Please also refer to the paragraph headed “Business – Machinery” in this document for details of our existing machinery.

As a result of the purchase of additional machinery and motor vehicles, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, it is estimated that additional depreciation expenses on plant and machinery of approximately HK\$0.7 million will be incurred per annum after we have acquired all the machinery and motor vehicles that we intend to purchase under our business expansion plan.

In addition to the acquisition of additional machinery and motor vehicles, our business strategies also include the recruitment of additional staff by utilising a portion of the [REDACTED] from the [REDACTED] so as to cope with our business development. Please refer to the section headed “Future plans and use of [REDACTED]” in this document for details of the additional staff that we plan to employ by functions. Based on the intended timing of deployment of the [REDACTED] for recruitment and retention of all the additional staff, it is estimated that additional staff costs of approximately HK\$3.2 million and HK\$6.4 million will be incurred for FY2022/23 and FY2023/24, respectively.

Our planned investments in machinery and motor vehicles and labour resources will increase our costs (including depreciation expenses and staff costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial position and prospects may be adversely affected.

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Possible difficulty in recruiting sufficient labour may hinder our future business strategies

It is one of our business strategies to expand our labour resources by recruiting additional staff in order to cope with our business development and our planned purchases of additional machinery. Please refer to the section headed “Future plans and use of [REDACTED]” in this document for details of the additional staff that we plan to employ by functions. However, the wet trades industry in Hong Kong has been facing the problem of labour shortage and ageing workforce, as further discussed in the paragraph headed “Risks relating to the industry in which we operate – The wet trades industry in Hong Kong has been facing the problem of labour shortage and ageing workforce” in this section. As a result, there may be potential difficulties for us to recruit sufficient labour for the implementation of our future business strategies. Any material difficulties in recruiting sufficient labour for the implementation of our future business strategies may adversely affect our Group’s ability to successfully grow our business, which may in turn adversely affect our business and financial position and prospects.

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

We intend to further increase our capital reserve for financing our project up-front costs, enhance our machinery, strengthen our manpower, strengthen our occupational safety and enhance our information technology capability in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

If we fail to comply with applicable anti-corruption and anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations

We are subject to the anti-corruption and anti-bribery laws of Hong Kong, which include but are not limited to the Prevention of Bribery Ordinance. Our procedures and controls to monitor anti-corruption and anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-corruption and anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a competitive industry

Some of our competitors may have certain advantages, including but not limited to having long operating history, better financing capabilities and well developed technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Any significant increase in competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

The wet trades industry in Hong Kong has been facing the problem of labour shortage and ageing workforce

According to the Industry Report, the Hong Kong wet trades industry has been facing the problem of labour shortage and aging workforce. This led to the average daily wages of workers engaged in wet trades works, such as plasterer, marble worker, bricklayer and concreter, having increased from approximately HK\$1,440.1 in 2016 to approximately HK\$1,445.7 in 2021, representing a CAGR of approximately 0.1%. The rise in the average daily wages of wet trades workers was principally due to the imbalance between the demand and supply of experienced construction workers available in the market and the labour shortage is very likely to continue in the future years and the average daily wages of wet trades workers will grow at a CAGR of 2.2% from 2022 to 2026. For further information regarding the problem of labour shortage and aging workforce faced by the wet trades industry in Hong Kong, please refer to the paragraph headed “Industry overview – Price trend of major cost components” in this document.

The supply and cost of labour in Hong Kong are affected by the availability of labour in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no guarantee that the supply of labour and labour costs will be stable. In addition, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) requires that an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour). There is no assurance that the statutory minimum wage will not increase in the future.

In the event that we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future jobs and/or there is a significant increase in the costs of labour, we may not be able to complete our jobs on schedule and/or within budget and our operations and profitability may be adversely affected.

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Rising construction costs, including the costs of construction workers and construction materials, may increase our costs of operation

According to the Industry Report, the wet trades industry in Hong Kong has been facing the problem of increasing operating costs. The increase in operating costs is mainly attributed to the wage trend of construction workers (as discussed above) as well as the prices of certain construction materials, such as Portland cement, hydraulic lime, concrete blocks, aggregates and sand, which are typically required in carrying out wet trades works. For further details of the past price trend of such construction materials, please refer to the paragraph headed “Industry overview – Price trend of major cost components” in this document. Any substantial increase in our costs of operation may materially and adversely affect our business and financial positions and prospects.

Construction works are usually divided into various different trades. Each trade requires specialised labour of its own and cannot be easily replaced by labour of another trade. The fees charged by our subcontractors depend on a number of factors, which generally include their own costs of operation. Industrial action of any trade may disrupt our operation and/or the operation of our customers and/or subcontractors and thus the work progress of projects undertaken by us. There is no assurance that trade unions will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional direct staff costs, subcontracting fees and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being able to meet the time schedule requirements of the contracts. Therefore, if labour costs and costs of construction materials in Hong Kong keep increasing, our staff costs and subcontracting fees may increase in the future, which could materially and adversely affect our business operation and financial condition.

Any future changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on licensing, environmental protection, labour safety, etc. may cause us to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and Government policies. There is no assurance that we will be able to respond to any such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. If there are any changes to and/or imposition of the requirements for qualification in the wet trades industry in relation to environmental protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

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RISKS RELATING TO THE [REDACTED]

Investors will experience immediate dilution

Given the [REDACTED] of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], investors of our Shares in the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible assets value to approximately HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively, based on the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED].

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

Prior to the [REDACTED], there is no public market for the Shares. The [REDACTED] of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry in Hong Kong could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED] or at all.

Granting options under the Share Option Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect our Group’s results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed “D. Share Option Scheme” in Appendix IV to this document.

RISK FACTORS

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any Controlling Shareholders, or that the availability of the Shares for sale by any Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

The [REDACTED] is entitled to terminate the [REDACTED]

Prospective investors should note that the [REDACTED] (for itself and on behalf of the [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events set out in the paragraph headed "[REDACTED] – [REDACTED] arrangements and expenses – The [REDACTED] – Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such event may include, without limitation, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

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

Upon completion of the [REDACTED], our Controlling Shareholders will own [REDACTED] of our Shares. Our Controlling Shareholders will therefore, have a significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporation actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISK FACTORS

There can be no assurance that we will declare or distribute any dividend in the future

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our Group declared and paid out dividends of HK\$6 million, approximately HK\$1.3 million, nil and nil, respectively, to our then shareholders.

Subject to the Companies Act and the Articles, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board. Our Board may also from time to time pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISKS RELATING TO THIS DOCUMENT

No representation is given as to the accuracy of the information from official government sources

The information and statistics set out in the section headed “Industry overview” and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Industry Report, an independent industry report, in connection with the [REDACTED]. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information from official government sources has not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated

RISK FACTORS

risks, please refer to the section headed “Forward-looking statements” in this document. Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward-looking statements.

Prior to the publication of this document, there may be press or other media which contains information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the [REDACTED]. You should rely only on the information contained in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Chan Kiu Sum (陳橋森先生)	House 2, Diveria Boulevard, Riva 1 Ying Ho Road Yuen Long New Territories Hong Kong	Chinese
Mr. Chan Wing Ping (陳永平先生)	Flat C, 7th Floor, Block C Grandeur Gardens 3 King Fung Path Tuen Mun New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Huang Hong (黃虹博士)	Flat B, Ground Floor Tower 5, Parc Inverness 38 Inverness Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Yu Chi Wing (于志榮先生)	Apartment No. 21, 16th Floor Celestial Heights No. 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	Chinese
Dr. Lo Ki Chiu (盧其釗博士)	Unit A1, 3rd Floor Tower 5, St Martin 12 Fo Chun Road Tai Po New Territories Hong Kong	Chinese

Please refer to the section headed "Directors and senior management" in this document for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED

Sponsor

Grande Capital Limited

A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities

Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong law

ONC Lawyers

19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Mr. Chan Chung

Barrister-at-law

10th Floor, Grand Building
15–18 Connaught Road Central
Central
Hong Kong

As to Cayman Islands law

Appleby

Suites 4201–03 & 12, 42/F
One Island East, Taikoo Place
18 Westlands Road, Quarry Bay
Hong Kong

Legal advisers to the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED]

As to Hong Kong law

David Fong & Co.

Unit A, 12th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting accountant and auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Compliance adviser

Grande Capital Limited
Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Industry consultant

Frost & Sullivan Limited
Suite 1706, One Exchange Square
8 Connaught Place
Hong Kong

Safety Consultant

Garron Holdings Limited
Room 1206, 12th Floor
Tai Sang Bank Building
130–132 Des Voeux Road Central
Central
Hong Kong

Tax adviser

CTY & Co.
Room 904, 9th Floor
299 QRC
287–299 Queen's Road Central
Hong Kong

Internal control adviser

LIF Consultants Limited
14/F, Harbour Commercial Building
122–124 Connaught Road Central
Hong Kong

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered office	71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 909, 9th Floor, Tower 1 Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Company's website	www.chankiu.hk <i>(Note: information contained in this website does not form part of this document)</i>
Company secretary	Mr. Choi Wan Sang Vincent <i>Certified Public Accountant</i> Unit 909, 9th Floor, Tower 1 Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Authorised representatives (for the purposes of the Listing Rules)	Mr. Chan Kiu Sum House 2, Diveria Boulevard, Riva 1 Ying Ho Road, Yuen Long New Territories Hong Kong Mr. Choi Wan Sang Vincent <i>Certified Public Accountant</i> Unit 909, 9th Floor, Tower 1 Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Audit Committee	Mr. Yu Chi Wing (<i>Chairperson</i>) Dr. Huang Hong Dr. Lo Ki Chiu
Remuneration Committee	Dr. Huang Hong (<i>Chairperson</i>) Mr. Chan Kiu Sum Mr. Yu Chi Wing

CORPORATE INFORMATION

Nomination Committee

Mr. Chan Kiu Sum (*Chairperson*)

Dr. Huang Hong

Dr. Lo Ki Chiu

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Principal bankers

DBS Bank (Hong Kong) Limited

16th Floor, The Center

99 Queen's Road Central

Central

Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the F&S Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sponsor, [REDACTED], [REDACTED], [REDACTED], or any of our or their respective directors and advisers or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market search company to conduct an analysis of, and to report on, the wet trades works industry in Hong Kong. A total fee of HK\$520,000 was charged by Frost & Sullivan for the preparation of the Industry Report. The Industry Report has been prepared by Frost & Sullivan independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Industry Report. The payment of such amount was not conditional on our Group's successful [REDACTED] or on the results of the Industry Report.

Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries.

The Industry Report includes information on the wet trades works industry in Hong Kong. The information contained in the Industry Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including but not limited to wet trades works industry service providers and industry experts in Hong Kong.

Information gathered by Frost & Sullivan has been analysed, assessed and validated using Frost & Sullivan in-house analysis models and techniques. According to Frost & Sullivan, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Industry Report. Other sources of information, including government, trade association or market place participants, may have provided some of the information on which the analysis or data is based.

In compiling and preparing the research, save for the foreseeable impact resulted from the outbreak of COVID-19 such as the impact of delay in the schedules of some ongoing construction projects as a result of interruptions in the supply of construction materials and difficulty in labour deployment in the first quarter of 2020, the first quarter of 2022 amid the outbreak of Omicron and the potential impact of COVID-19 on the global economy in the following years, (i) the global economy is assumed to maintain a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or other wide outbreak of diseases to affect the demand and supply of construction works industry, including wet trades works industry, in Hong Kong during the forecast period. In preparation of the forecast data, Frost & Sullivan also assumed that the outbreak of COVID-19 in Hong Kong and overseas markets are likely under effective control in the long run with a gradual resumption of economic performance thereafter, with reference to the same assumption taken by the International Monetary Fund in preparation of the world economic outlook published in April 2022.

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information therein.

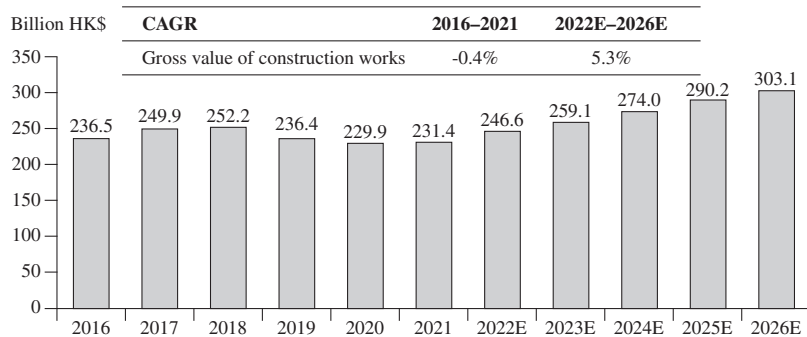
CONSTRUCTION WORKS INDUSTRY OVERVIEW

According to the Census and Statistics Department of Hong Kong, the gross value of construction works performed by main contractors in Hong Kong decreased from approximately HK\$236.5 billion in 2016 to approximately HK\$231.4 billion in 2021, representing a negative

INDUSTRY OVERVIEW

CAGR of 0.4%. The decrease was primarily due to the slowdown of construction works during the COVID-19 outbreak. In addition to slower building works of fitting-out, repair and maintenance in the private sector, spending by the public sector also shrank as the implementation of new project items were affected by the delay in the Legislative Council’s approval of funding proposals, and new projects had yet to generate sufficient output to offset the completion of some major infrastructure projects, which in turn led to the decrease in gross value of construction works in 2019. The outbreak of COVID-19 in 2020 led to the economic downturn and further disrupted the construction industry in Hong Kong, which in turn lowered the gross value of construction works in 2020. As the impact of COVID-19 outbreak diminishes, the gross value of construction works started to rebound in 2021. Along with the buildings development projects, planned infrastructure, and specialised installation and maintenance works, the gross value of construction works performed by main contractors in Hong Kong is forecasted to grow steadily at a CAGR of approximately 5.3% during 2022 to 2026.

Gross value of construction works performed (Hong Kong), 2016–2026E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

WET TRADE WORKS INDUSTRY OVERVIEW

Definition

Wet trades works generally involves the use of dry construction materials mixed with water. Common scope of wet trades works includes ceiling, floor and wall plastering, interior and exterior tiling, brickwork, marble works, painting and decorating, as well as other interior and exterior fitting, decoration and repairs for buildings. Wet trades contractors may also provide wet trades related ancillary services such as cleaning, smoothing platform, applying sealant, washed granolithic screed and on-site logistic service, etc. The demand for wet trades works is associated with construction, renovation, maintenance, addition and alteration of buildings in mainly residential (e.g. private residential buildings and public housing) and commercial segments (e.g. hotel, office buildings, retail stores and shopping malls), as well as industrial buildings, government buildings, community facilities, transportation and public infrastructure, etc.

Market Size

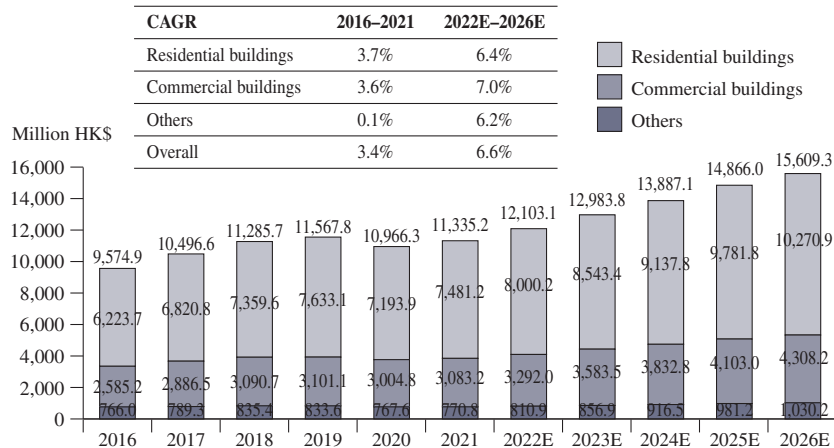
The gross value of wet trades works in Hong Kong increased from approximately HK\$9,574.9 million in 2016 to approximately HK\$11,335.2 million in 2021, representing a CAGR of approximately 3.4%, underpinned by the rising housing supply and continuous expansion of the commercial segment, including offices and hotels, and the residential segment. The drop of gross value of wet trades works in 2020 was mainly due to the outbreak of COVID-19 which led to economic downturn and further disrupted the construction industry in Hong Kong.

The Government has simplified and accelerated the process of changing land use, which could lead to the increase in the land supply in Hong Kong in short term. The new development area projects, such as Kwu Tung North/Fanling North new development, Hung Shui Kiu/Ha

INDUSTRY OVERVIEW

Tsuen new development area and Yuen Long South development, are undergoing at the moment and they will approximately release more than 1,200 hectares of lands to the market in Hong Kong in the future. On the other hand, the urban renewal, such as the renovation of hotels, also continues to contribute to the growth of construction market in Hong Kong. As such, the gross value of wet trades works is expected to increase from approximately HK\$12,103.1 million in 2022 to approximately HK\$15,609.3 million in 2026.

Gross value of wet trades works by segment in Hong Kong, 2016–2026E



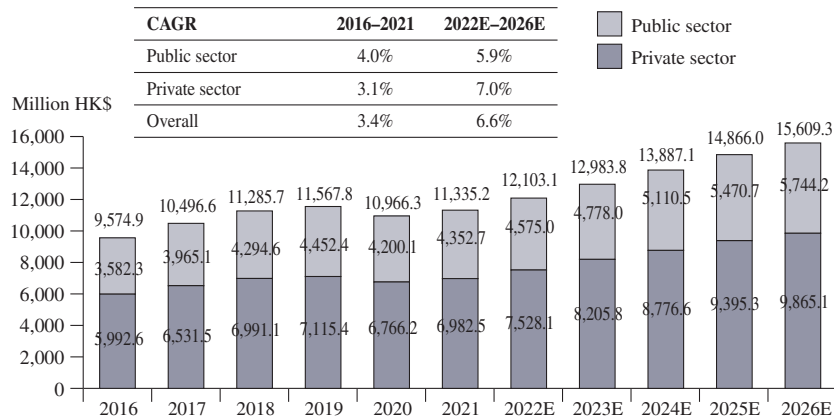
Note: Others refer to industrial and storage service.

In 2021, the gross value of wet trades works in residential buildings segment accounted for approximately 66.0% of total gross value of wet trades works. Driven by the completion of large residential estate projects such as Grand Central at Kwun Tong and Malibu at Tseung Kwan O, the gross value of wet trades works market in residential buildings segment increased from approximately HK\$6,223.7 million in 2016 to approximately HK\$7,481.2 million in 2021, representing a CAGR of approximately 3.7%. The residential segment is expected to demonstrate a steady growth in the next few years, underpinned by the supportive policies towards housing development. As set out in the 2020–21 Land Sale Programme, 15 private residential sites, including Area 24 and Area 25 in Kwu Tung, Chung Yip Road, Kai Tak Area 4E Site 1 and Site 2, would provide about 7,530 flats. According to the Long Term Housing Strategy (the “LTHS”) issued in 2020, the projected total housing supply target for the 10-year period from 2021–22 to 2030–31 is approximately 430,000 units, with an upper and lower range of 451,000 and 405,000 units respectively. In particular, the Government would maintain the public/private split of 70:30 for the next 10-year period from 2021–22 to 2030–31. Accordingly, out of the total housing supply target of 430,000 units, the public housing supply target will be 301,000 units and the private housing supply target will be 129,000 units. Accordingly, the gross value of wet trades works in residential buildings segment is expected to increase from approximately HK\$8,000.2 million in 2022 to approximately HK\$10,270.9 million in 2026, representing a CAGR of approximately 6.4%.

On the other hand, the commercial buildings segment comprised 27.2% of total gross value of wet trades works in 2021 and increased at a CAGR of 3.6% from 2016 to 2021 from approximately HK\$2,585.2 million in 2016 to HK\$3,083.2 million in 2021, primarily due to the development of new central business district, namely Kai Tak Development Area, Kwun Tong and Kowloon Bay Business Areas. As set out in the 2020–21 Land Sale Programme, 6 commercial sites would provide about 833,700 square metres of gross floor area. In particular, a prime commercial site in Central, the New Central Harbourfront Site 3, spans roughly 4.8 hectares (equivalent to approximately 516,322 square feet) was sold in 2021. Total investment for the project could top out at between HK\$60 billion and HK\$65 billion. Thus, the gross value of wet trades works in commercial buildings segment is expected to increase from approximately HK\$3,292.0 million in 2022 to HK\$4,308.2 million in 2026, representing a CAGR of approximately 7.0%.

INDUSTRY OVERVIEW

Gross value of wet trades works by sector in Hong Kong, 2016–2026E



Source: Frost & Sullivan

The private sector contributes to the majority of the total gross value of wet trades works in Hong Kong. During 2016 to 2021, primarily owing to the establishment of various sizeable real estate properties in Kowloon City and Sai Kung, the gross value of wet trades works in the private sector increased from approximately HK\$5,992.6 million in 2016 to approximately HK\$6,982.5 million in 2021, representing a CAGR of approximately 3.1%, whereas the urban development in Tuen Mun and Kwun Tong has also accelerated the demand for wet trades works during the same period. Benefitted from the increase in number of actual public housing production units, namely the completion of Lin Tsui Estate, Hoi Ying Estate, Yan Tin Estate, Kwai Tsui Estate, Ying Tung Estate and Mun Tung Estate, the gross value of wet trade works in public sector increased from approximately HK\$3,582.3 million in 2016 to approximately HK\$4,352.7 million in 2021, at a CAGR of approximately 4.0%.

As set out in the release of the “Hong Kong 2030: Planning Vision and Strategy”, the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors. Growing along with a number of private residential properties expected to complete in Ho Man Tin and Cheung Sha Wan, such as the development at Ho Man Tin MTR Station and Hing Wah Street West, in the coming years, the gross value of wet trades works in the private sector is anticipated to grow from 2022 to 2026 at a CAGR of approximately 7.0%, reaching approximately HK\$9,865.1 million in 2026. Driven by the Long Term Housing Strategy (LTHS) issued in 2020 with total public housing units target for the ten-year period from 2021–22 to 2030–31 of approximately 301,000 units and the continuous investment by the Government in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the next few years, as proposed by the Chief Executive in the 2020 Policy Address, the gross value of wet trades works in the public sector is expected to grow from approximately HK\$4,575.0 million in 2022 to approximately HK\$5,744.2 million in 2026, representing a CAGR of approximately 5.9%.

MARKET DRIVERS AND OPPORTUNITIES OF WET TRADES WORKS INDUSTRY IN HONG KONG

The development of wet trades market in Hong Kong is closely related to the building construction and the construction industry as a whole, and is expected to benefit from the following market drivers and market opportunities:

1. Sustained supply of residential units

The gross value of wet trades works in residential buildings segment accounted for over 60% of total gross value of wet trades works in 2021. From 2016 to 2021, the actual public housing production under Housing Authority and completion of private units registered 108,199 units and 102,271 units, respectively, driving the growth of wet trades works market in Hong Kong. Looking forward, favourable government policies aiming at rising land supply and housing are expected to create sustained demand for wet trades works in residential segment.

INDUSTRY OVERVIEW

The construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors. According to the LTHS issued in 2020, the projected total housing supply target for the 10-year period from 2021–22 to 2030–31 is approximately 430,000 units, with an upper and lower range of 451,000 and 405,000 units respectively. In particular, the Government would maintain the public/private split of 70:30 for the next 10-year period from 2021–22 to 2030–31. Accordingly, out of the total housing supply target of 430,000 units, the public housing supply target will be 301,000 units and the private housing supply target will be 129,000 units. In addition, a number of large-scale initiatives and projects including the “Lantau Tomorrow Vision” and the Kwu Tung North/Fanling North and Ping Che/Ta Kwu Ling New Development Areas are forecasted to accommodate 310,000 to 450,000 residential units. Furthermore, several private residential properties are under processing and expected to complete in the coming years, such as the development at Ho Man Tin MTR Station and Hing Wah Street West. Therefore, the increasing supply of residential units will contribute to the continuous demand for wet trades works from 2022 to 2026.

2. Expanding commercial area and business district

Commercial buildings segment has been one of the main contributors to the overall growth of the wet trades market in Hong Kong from 2016 to 2021. According to the Rating and Valuation Department, the completion of private office is expected to increase to 275.3 thousand m² in 2022 while the completion of private commercial space is forecasted to increase to 173.3 thousand m² in 2022. The growth was mainly owing to the “Energising Kowloon East” programme which the Government targets to develop a new central business district (CBD) around the Kowloon East area, in order to provide a vast amount of office spaces and community facilities to support the long-term economic development of Hong Kong. “Energising Kowloon East” programme also includes the projects of Kai Tak Development, and Kai Tak Cruise Terminal, which encompass the development of cruise terminal, hotels, residential and commercial developments, and entertainment and public facilities, creating a vibrant and diverse community within Kowloon East CBD. The existing supply of commercial gross floor area in Kowloon East has reached about 2.9 million square meter by October 2020, with the potential to provide an additional 4.1 million square meter in the future. The expanding commercial activities, development of new business district, residential and entertainment and public facilities will translate into potential business opportunities for wet trades works contractors and support the growth of wet trades market. Moreover, the continuous investment by the Government in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the next few years, as proposed by the Chief Executive in the 2020 Policy Address, will increase the demand for wet trades works.

3. Higher customer requirements and industry standards

Driven by the increasing living standards and income level of Hong Kong residents, customers have shown a rising preferences towards building materials with better grades and construction works with better quality. Therefore, the requirements on the quality and cost efficiency of wet trades works have risen to cater to the expectations of the downstream customers. In addition, with the popularity of sustainability in construction works, property developers and owners usually expect higher durability of buildings and facilities with minimum defects, future maintenance costs and hassle, which is expected to set a higher standard on the quality of materials, working process and craftsmanship of wet trades works. It is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. As property developers strive to maintain their industry reputation, demand for quality wet trades works has thus increased in order to fulfil the interior design and inspection requirement.

4. Urban Renewal Programme

According to the Urban Renewal Authority, there will be 326,000 private housing units aged 70 or above by 2046 and there is an urgent need to step up the rejuvenation of dilapidated urban areas, especially for those located at densely-built urban core, such as Sham Shui Po and Kowloon City. As stated in the Annual Report 2019–20 of Urban Renewal Authority (URA), there were more than 10,000 buildings in Hong Kong aged 50 years or above, and the number is forecasted to reach 28,000 by 2046. To address the aging problem, the Government has increased the three-year target of 10,000 transitional housing units within the next three years to 15,000 units, in order to relieve the pressure of families living in unpleasant living conditions.

INDUSTRY OVERVIEW

Moreover, with a growing emphasis on the preservation of these aged building by the means of proper repair and maintenance works under Integrated Building Rehabilitation Assistance Scheme and Operating Building Bright 2.0, there is a rising demand for refurbishment of these properties and wet trades works, such as plastering works and tiling works, in the long run. As a result the redevelopment works under urban renewal projects are expected to drive the demand for wet trade works.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

Overview of market competition

The wet trades works market in Hong Kong is considered as fragmented in terms of number of market participants. According to the Construction Industry Council, there were over 500 contractors registered under the trade specialties of “Finishing Wet Trades” by the end of 2021.

In 2021, the top five wet trades works subcontractors had an aggregate market share of approximately 10.0%. Our Group is the largest wet trades works subcontractor with a market share of approximately 4.0% in 2021.

Leading wet trades works subcontractors market by revenue in Hong Kong, 2021

Rank	Company	Estimated revenue in 2021 (HK\$ million)	Approximate market share in 2021	Company description
1	The Group	456.4	4.0%	
2	Noble Engineering Group Holdings Limited	275.6	2.5%	A listed company and the listed group principally engages in wet trades works such as marble works, floor screeding, brick laying and plastering in Hong Kong
3	Hang Kee Engineering Company Limited	150.5	1.3%	A private company and mainly perform wet trade works in Hong Kong
4	Kwan Kee Engineering Company	135.7	1.2%	A private wet trade works subcontractor with the focus on marble works, floor screeding, brick laying and plastering in Hong Kong
5	Hands Form Holdings Limited	117.5	1.0%	A listed company and the listed group principally engages in wet trades works such as marble works, floor screeding, brick laying and plastering in Hong Kong
	Subtotal	1,135.7	10.0%	
	Other	10,199.5	90.0%	
	Total	11,335.2	100.0%	

Source: Frost & Sullivan

Note: The respective estimated revenue and market share of market participants are extrapolated based on published financial reports and company information for the year ended 31 March 2022.

Factors of competition

1. Established business relationship

The leading wet trades works contractors are remarked by the established long-term relationship with customers, subcontractors and suppliers, which facilitates the resources deployment and division of labour for certain area of construction works based on business relationship, track record, ability in project delivery. By leveraging the good working relationship built on collaboration with industry stakeholders, time and cost could be greatly saved in the day-to-day operation. As such, it would further enhance the execution capacity of the wet trades works contractors.

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2. *Wide variety of expertise*

Wet trades works entail a wide variety of expertise, such as plastering, floor screeding and bricklaying. Given the high standard of specialised wet trades works, contractors with proven industry know-how have the competitive advantage in the wet trades works industry in Hong Kong. Moreover, extensive capacity is one of the most important criteria for selecting contractors during tendering process, which in turn increases the possibility of bidding large scale projects.

3. *Quality of works*

With the higher demand for interior environment of residential flats and commercial buildings, including the texture, colour and materials used in the design, as well as the use of fixtures, furniture and other accessories, quality of works is becoming the key focus of competition in wet trade works industry. The buyers in Hong Kong tend to have high expectation on the interior design and fitting-out of newly built residential flats, which drives property developers to focus on areas around quality assurance of work on site, design analysis and space planning aesthetics. It is also the rising trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. As property developers strive to maintain their industry reputation, demand for quality wet trades works has thus increased in order to fulfil the interior design and inspection requirement. Therefore, wet trades works contractors with quality of works are preferred by property developers and main contractors.

Entry barriers

1. *Strong track record with long-standing reputation*

A strong track record with long-standing reputation is one of the most important entry barriers for the wet trades works industry. A proven track record and reputation possessed by subcontractors enable them to satisfy customers' requirement and maintain a solid customer base from main contractors that support a sustainable development of the business. The recognition and trust built on past project reference comes as the core competitiveness and retain the market position in Hong Kong. Meanwhile, clients are generally more confident with engaging existing contractors which have undertaken sizable projects. As a result, companies with proven project portfolio and service offerings are likely to stand out in the wet trades works industry in Hong Kong. New entrants without reputation and track records are not easily accepted by customers in the wet trade works industry.

2. *Financial resources*

Sufficient initial capital is another key entry barrier for the wet trades works contractors to satisfy their operational and capital needs. Wet trades contractors generally experience net cash outflows as project up-front costs at the early stage of a project. Significant cash flow is required for the purchase of materials, recruitment of skilled labour and payment to subcontractors in wet trades works projects. Market participants without sufficient experience, capital and financial resources are less likely to be considered in the tender selection process. Market participants with sufficient capital and credibility are preferred by main contractors and standing at a better chance of tendering more and larger scale projects, which in turn further enrich the track record and build up the reputation of them in the industry.

3. *Technical know-how and experienced management team*

Technical knowledge is one the key barriers for new market entrants of wet trades works as contractors and specialists generally have a strong understanding towards plastering works, tile laying works, brick laying works, marble works and floor screeding works in order to deliver quality services. With technical know-how, the performance of the existing players and their quality of works can be assured to meet quality standards. In addition, experienced and capable project management teams of existing players implements effective quality control by conducting regular on-site inspections and arranging regular meetings with subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meet the requirements of customers. Comparatively, new market entrants without technical know-how and experienced management teams may be less competitive.

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Potential Challenges

1. *Rising project complexity*

In Hong Kong, the wet trades works industry is encountering a trend of rising project complexity and higher requirements from clients, which may include higher requirements for building materials and tighter deadline for planning and execution, and therefore lead to additional workload on and expenditure from the service providers' ends such as sourcing of specific materials, adding headcount and recruitment of related professionals.

2. *Higher material cost*

During the past five years, prices of a number of major raw materials used in wet trades works have experienced an increase. For example, prices of sand, Portland cement and concrete blocks have increased from 2016 to 2021, registering CAGRs of approximately 17.6%, 3.1% and 4.1% respectively. In particular, amongst all raw materials used in wet trades works, the average price of sand has increased the most, primarily due to the limited supply of river sand in the PRC. The inflation in material cost will result in higher expenditure of wet trades market participants, which may further negatively impact their profit margin.

3. *Shortage of qualified and skilled labour*

Due to the aging population and higher requirements on skills and qualifications of workers, the wet trades market in Hong Kong has been facing serious problems of shortage of experienced and skilled labour. According to the Construction Industry Council, the number of high-aged (i.e. aged 40 and above) construction workers accounted for over 67% of total construction workers by the end of 2019. Therefore, in order to attract qualified workers, market participants may need to adopt measures including competitive remuneration packages, growth opportunities and flexible schedule. The increasing competition for talents will result in higher labour cost and pose a challenge to the growth of wet trades market.

PRICE TREND OF MAJOR COST COMPONENTS

The major cost components of our Group's operation include but not limited to direct labour cost, and cost of construction materials such as Portland cement, concrete blocks, aggregates and sand.

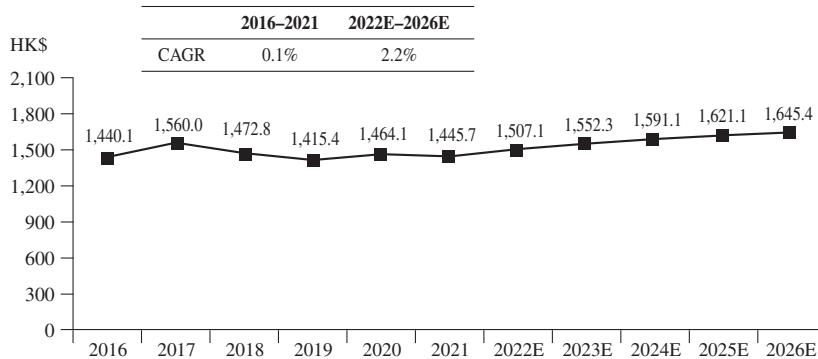
Average daily wages of wet trades workers

Generally, wet trades works required plasterer, marble worker, bricklayer and concreter. According to Frost & Sullivan, the average daily wages of major wet trades workers, have increased from approximately HK\$1,440.1 per day in 2016 to approximately HK\$1,445.7 per day in 2021, representing a CAGR of 0.1%. The decrease of wage of wet trade works worker in 2018 was mainly due to increase of labour supply. For instance, as compared to 2017, the number of bricklayer and concreter increased by approximately 11.5% and 8.0% in 2018, respectively. In 2019, there was a slight decrease in gross value of construction works in the private sector due to uncertainties including the developments of the US-China trade relations and the local social incident, which in turn led to the decrease in the demand, and thus, the average daily wages of wet trade workers in Hong Kong. The average daily wages of wet trade workers increased from HK\$1,415.4 in 2019 to HK\$1,464.1 in 2020. Due to the outbreak of COVID-19, some ongoing construction projects have been postponed, which led to temporary decrease in the demand for construction workers and the slow down in growth of average daily wages of wet trade workers in 2021.

The overall rising trend in the average daily wages of wet trades workers between 2016 to 2021 was principally due to the imbalance between the demand and supply of experienced construction workers available in the market and the labour shortage is very likely to continue in the future years, which the average daily wages of wet trades workers will grow at a CAGR of 2.2% during 2022 to 2026.

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Average daily wages of wet trades workers (Hong Kong), 2016–2026E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Price trends of wet trade works materials

Portland cement, hydraulic lime, concrete blocks, aggregates and sand are major construction materials for wet trades works. The average prices of all of the construction materials applied in wet trades works have shown an increasing trend in the past years. Amongst all of the wet trades works materials, the average price of sand has experienced significant growth, which increased at a CAGR of approximately 17.6% from approximately HK\$137.7 per metric tonne in 2016 to approximately HK\$310.0 per metric tonne in 2021. The rise in raw material costs was mainly attributable to the continuous construction works being carried out in Hong Kong, which has supported the demand for these construction materials, as well as limited supply of certain materials such as river sand. In the following years, the average prices of major construction materials in wet trades works are likely to climb up as the demand for such materials is expected to remain high due to the sustained number of construction projects to be commenced in Hong Kong.

Average price of major construction materials for wet trades works (Hong Kong), 2016–2026E

Item	Unit	2016	2017	2018	2019	2020	2021	2022E	2026E	CAGR (2016–2021)	CAGR (2022E–2026E)
Portland cement	HK\$ per metric tonne	714.7	699.9	698.5	727.8	747.3	832.5	834.2	840.8	3.1%	0.2%
Hydraulic lime	HK\$ per metric tonne	585.5	700.5	630.2	625.1	630.5	631.5	636.5	657.1	1.5%	0.8%
Concrete blocks	HK\$ per metric tonne	76	76.4	77	79.8	80.5	93	93.8	97.2	4.1%	0.9%
Aggregates	HK\$ per metric tonne	67.8	59.3	65.2	70.7	88	100	102.5	113.1	8.1%	2.5%
Sand	HK\$ per metric tonne	137.7	121.4	204.4	276.7	281.3	310	350.3	571.1	17.6%	13.0%

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

IMPACT OF COVID-19 ON THE WET TRADE WORKS MARKET

As the number of infections of the COVID-19 has been increasing, the Government has escalated its response level to Emergency under the Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance and has introduced several control measures to restrict the movement of populations in order to prevent the disease spreading in the wider community. For example, save as the Government scheme, “Return2hk” which allows Hong Kong residents to return to Hong Kong from Mainland China and Macau without serving mandatory quarantine by showing negative COVID-19 test results 24 hours before travelling, any persons entering Hong Kong from Mainland China are required to undergo mandatory quarantine for 14 days. As there may exist construction workers who are immigrants from Mainland China, they may be required to comply with this regime when they return to Hong Kong and hence the labour supply in the wet trade works market may be temporarily affected. Furthermore, as the Lunar New Year holiday was extended in the PRC in early 2020 as announced by the State Council and local authorities, the supply of certain construction materials, such as Portland cement, hydraulic lime, concrete blocks, aggregates and sand

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supplies, may be temporarily disrupted during the early stages of the outbreak of COVID-19 in the PRC, especially in first quarter of 2020. Some of the ongoing construction projects in Hong Kong have been postponed in progress due to the outbreak of COVID-19 in 2020, which led to the temporary decrease in demand for construction works as well as wet trades works in Hong Kong.

However, in view of (i) as at the Latest Practicable Date, the COVID-19 vaccines have been widely launched in many countries, World Health Organization is working in collaboration with scientists, business, and global health organizations to speed up the pandemic response. In particular, Pfizer and BioNTech presented preliminary data on 9 November 2020 indicating that their coronavirus vaccine was over 90% effective. On 11 December 2020, the U.S. Food and Drug Administration issued the first emergency use authorization (EUA) for a vaccine for the prevention of COVID-19 caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) in individuals 16 years of age and older. The emergency use authorization allows the Pfizer-BioNTech COVID-19 Vaccine to be distributed. With the launch of vaccine, the impact of COVID-19 is likely to be diminished and the global economy would recover in the near future; (ii) most Chinese companies, including production and manufacturing enterprises have resumed full production; and (iii) the number of confirmed cases of COVID-19 in Hong Kong is relatively low when compared to other regions and the number of recovered cases has been increasing, it is believed that the supply of labour and raw materials will not be substantially affected by the outbreak of COVID-19.

In early 2022, Hong Kong has been stricken by the fifth wave of the outbreak of the COVID-19 under the more transmissible virus variant namely Omicron, with daily cases reaching over 10 thousand during March and April 2022. To manage and prevent the importation risks posed by Omicron cases, the Government had tightened the measures to guard against importation of cases, such as the extension of compulsory quarantine to 21 days and having more stringent social-distancing measures. The Government has also implemented the place-specific flight suspension mechanism since January 2022 for Australia, Canada, France, India, Nepal, Pakistan, the Philippines, the United Kingdom and the United States of America to restrict persons who have stayed in these nine places to board flights for Hong Kong. Following the decrease in daily cases and relaxation of the social-distancing measures since April 2022, the Hong Kong economy has been resuming.

Having considered that (i) the launch of COVID-19 vaccine can diminish the impact of COVID-19; (ii) the increasing public awareness and social distancing measures have proved to be effective in combating COVID-19; and (iii) according to World Economic Outlook Report published by International Monetary Fund (IMF) in April 2022, the global economy is projected to grow by 3.6% in 2022, F&S is of the view that the COVID-19 would be effectively controlled in the long run.

Given the outbreak of COVID-19 has been largely contained in the second quarter of 2022, it is expected that in general the operation of construction industry in Hong Kong will not be materially affected in the near future.

Considering a series of relief measures have been launched by the Government to help ease financial burdens of businesses and individuals and encourage enterprises to retain employees, in particular two rounds of subsidy schemes for construction companies and workers as outlined in the Anti-epidemic Fund, the outlook of Hong Kong wet trades works market will remain positive, as driven by the planned urban development and strong demand from the residential and commercial sectors in the long-run. In addition, the Government has announced certain refinements to the next round of Employment Support Scheme (ESS) in April 2022. The proposed changes will result in the number of employees benefiting from the ESS to increase to around 1.74 million from 1.3 million. Employees in the construction industry with monthly salary less than HK\$8,000 are entitled to receive a subsidy of HK\$4,000 per month. Analysed by major end-use group, the gross value of construction works performed at construction sites in respect of residential buildings projects amounted to HK\$12.8 billion in the first quarter of 2021, up by 4.6% over a year earlier. As mentioned above in “Market Drivers and Opportunities of Wet Trade Works Industry in Hong Kong” in this section, according to the LTHS issued in 2020, the projected total housing supply target for the 10-year period from 2021-22 to 2030-31 is approximately 430,000 units, with an upper and lower range of 451,000 and 405,000 units respectively. The long-term housing supply is not affected by the COVID-19. In addition, a number of large-scale initiatives and projects including the “Lantau Tomorrow Vision” and the Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling New Development Areas are forecasted to accommodate 310,000 to 450,000 residential units. Furthermore, several private residential properties are under processing and expected to complete in the coming years, such

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as the development at Ho Man Tin MTR Station and Hing Wah Street West. Therefore, the increasing supply of residential units will contribute to the continuous demand for wet trades works from 2022 to 2026, contributing to the growth of overall wet trade works market in Hong Kong. Although some of the ongoing construction projects in Hong Kong has been postponed in progress due to the outbreak of COVID-19 in 2020, which led to the temporary decrease in demand of construction works and wet trades works, these projects have resumed to normal in 2021. Given that (i) the outbreak of COVID-19 has been largely contained in the second quarter of 2022, and (ii) the strong demand from residential sector in the long-run with large-scale initiatives and projects to be completed in the coming year, F&S is of the view that the outbreak of COVID-19 will not adversely and materially affect the wet trades works market in 2022.

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We are a wet trades contractor in Hong Kong. This section sets out a summary of certain aspects of Hong Kong laws, rules and regulations that are relevant to our operations and business. Information contained in this section should not be construed as a comprehensive summary of Hong Kong laws, rules and regulations applicable to our Group.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

During the Track Record Period and as at the Latest Practicable Date, our site workers and our subcontractors engaged in wet trades works and were therefore subject to the following laws and regulations.

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, “construction work” means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. “Construction site” means, subject to certain exceptions, a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

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

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

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules is an offence and different levels of penalty will be

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imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), any contractor (i) in relation to construction work with a contract value of HK\$100 million or more; or (ii) in relation to construction work having an aggregate of 100 or more workers in a day working in a single construction site; or (iii) in relation to construction work having an aggregate of 100 or more workers in a day working in two or more construction sites is obliged to appoint a safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system and consider improvements to the system at least once in every six months. Further, any contractor (i) in relation to construction work having an aggregate of 50 or more but less than 100 workers in a day working in a single construction site; or (ii) in relation to construction work having an aggregate of 50 or more but less than 100 workers in a day working in two or more construction sites is obliged to appoint a person, being a person who is capable of competently carrying out a safety review, to be the safety review officer to conduct a safety review to review the effectiveness of its safety management system and consider improvements to the effectiveness of the system at least once in every six months. Any person who contravenes these requirements commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months.

According to the Factories and Industrial Undertakings (Safety Management) Regulation, the safety auditor shall (i) be a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong); (ii) have not less than three years' full-time experience, in the five years period immediately preceding the application for registration with the Labour Department, in a managerial post responsible for industrial safety and health matters in respect of an industrial undertaking; (iii) occupy, at the time of the application for registration with the Labour Department, the managerial post or a like post; (iv) have successfully completed a scheme conducted by a registered scheme operator; and (v) understand the requirements under legislation in Hong Kong relating to industrial safety and health matters. Pursuant to the Code of Practice on Safety Management issued by the Labour Department, a safety auditor should (i) understand his task and be competent to carry it out; (ii) be familiar with the industry and the processes being carried out in the relevant industrial undertaking; (iii) have a good knowledge of the safety management practices in the industry; and (iv) have the necessary experience and knowledge to enable him to evaluate performance and identify deficiencies effectively, while a safety review officer should (i) have a good understanding of the operation of the relevant industrial undertaking in respect of which he conducts the safety review; (ii) have a good understanding of the legal requirements in force in Hong Kong relating to industrial safety and health; and (iii) have received appropriate training in how to review the effectiveness of a safety management system with a view to improving it.

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Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong) ("Loadshifting Machinery Regulations")

Under regulation 3 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the Loadshifting Machinery Regulations, loadshifting machines used in industrial undertakings refer to forklift trucks.

Under regulation 8 of the Loadshifting Machinery Regulations, a responsible person who without reasonable excuse contravenes regulation 3 commits an offence and is liable to a fine of HK\$50,000.

As at the Latest Practicable Date, our Group has a total of three forklifts. As those forklifts will be provided for workers to use in the construction sites, compliance with the Loadshifting Machinery Regulations is required. As at the Latest Practicable Date, our staff responsible for operating the forklifts held relevant valid certificates.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

During the Track Record Period and up to the Latest Practicable Date, we had certain incidents of non-compliance with the Factories and Industrial Undertakings Ordinance, details of which are set out in the paragraph headed "Business – Legal compliance – Non-compliance with the Construction Sites (Safety) Regulations" in this document.

We have set up an occupational health and safety system to promote work safety and to prevent occurrence of accident in our daily operation. For details, please refer to the paragraph headed "Business – Occupational health and work safety" in this document.

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

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation. During the Track Record Period and up to the Latest Practicable Date, there were five instances where we failed to report work injuries of our employees within the prescribed time limit under the Employees' Compensation Ordinance. For further details, please refer to the paragraph headed "Legal compliance – Non-compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)" in this document.

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

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

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

For our insurance coverage in this connection, please refer to the paragraph headed "Business – Insurance" in this document. For the information of employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Business – Litigations and claims" in this document.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

For information regarding the potential common law claims for personal injuries which were within the respective three-year periods and which might be brought against our Group as of the Latest Practicable Date, please refer to the paragraph headed "Business – Litigations and claims" in this document.

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and

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severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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

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

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

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property on the land.

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

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

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (set at HK\$37.5 per hour as at the Latest Practicable Date) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

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

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (set at HK\$30,000 and HK\$7,100 per month, respectively, as at the Latest Practicable Date), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling (set at HK\$1,500 as at the Latest Practicable Date). Employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (set at HK\$30,000 as at the Latest Practicable Date).

Industry Schemes

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

REGULATORY OVERVIEW

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories:

- (1) foundation and associated works;
- (2) civil engineering and associated works;
- (3) demolition and structural alteration works;
- (4) refurbishment and maintenance works;
- (5) general building construction works;
- (6) fire services, mechanical, electrical and associated works;
- (7) gas, plumbing, drainage and associated works; and
- (8) interior fitting-out works.

The MPF Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries.

Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

We are subject to the following laws and regulations in connection with the environmental protection as our business activities of wet trades works as a subcontractor. For information regarding our environmental management system, please refer to the paragraph headed "Business – Environmental, social and corporate governance matters" in this document.

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

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

REGULATORY OVERVIEW

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of a registered consultant.

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

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of NRMMs, including non-road vehicles and regulated machines that are subject to the NRMM Regulations (the "**Regulated Machines**"). Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the NRMM Regulation. Under Section 5 of the NRMM Regulation, any person who uses or causes to be used a Regulated Machine in specified activities or locations without (i) exemption or approval by the Environmental Protection Department is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months, and (ii) a proper label is liable on conviction to a fine of HK\$50,000 and to imprisonment for up to three months.

Pursuant to the Technical Circular issued by the Work Branch of the Development Bureau on 8 February 2015, an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular, under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively.

As at the Latest Practicable Date, our Group owned three Regulated Machines (being forklifts), among which one were exempted and two were approved by the Environmental Protection Department under the NRMM Regulation.

REGULATORY OVERVIEW

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

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

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

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers and public drain. For any industry/trade generating wastewater discharge (except domestic sewage or unpolluted water that are discharged into communal sewer or communal drain), they are subject to licensing control by the Director of the Environmental Protection Department.

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

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

REGULATORY OVERVIEW

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

The Waste Disposal Ordinance controls the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person, or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty of section 127 as mentioned above is a fine at level 3 (currently HK\$10,000) upon conviction with a daily fine of HK\$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. The maximum fine is level 5 (currently HK\$50,000) upon conviction.

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Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is a fine at level 4 (currently at HK\$25,000) upon conviction and a daily fine of HK\$450.

Any accumulation or deposit which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is a fine of level 3 (currently HK\$10,000) upon conviction and a daily fine of HK\$200.

LAWS AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING REGIME AND OPERATION

As a subcontractor engaged in wet trades works, we are subject to the following laws, regulations and possible legislation.

Registered Specialist Trade Contractors Scheme

Throughout the Track Record Period and up to the Latest Practicable Date, Chan Kiu and Ying Wai were registered as registered specialist trade contractors in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. As at the Latest Practicable Date, their registrations were under the designated trade category of plastering (Group 2).

Subcontractors which are involved in, among others, plastering in Hong Kong may apply for registration under the Registered Specialist Trade Contractors Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme (substituted by the Registered Specialist Trade Contractors Scheme on 1 April 2019) was formerly known as the Voluntary Subcontractor Registration Scheme (the "VSRS"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "PCICB"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) ("WBDB") on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

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After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage two of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

With effect from 1 April 2019, the Registered Specialist Trade Contractors Scheme replaced the Subcontractor Registration Scheme. The Registered Specialist Trade Contractors Scheme comprises of two registers: the Register of Specialist Trade Contractors (“**RSTC**”) and the Register of Subcontractors (“**RS**”). All subcontractors who are registered under the seven trades namely demolition, concreting formwork, reinforcement bar fixing, concreting, scaffolding, curtain wall and erection of concrete precast component of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors and no application is required. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as registered subcontractors and no application is required. With effect from 1 January 2021, plastering trade was upgraded as the eighth designated trade. All registered subcontractors who are registered under the plastering trade have automatically become Registered Specialist Trade Contractors under the plastering trade (Group 1) and no application is required.

Registered Specialist Trade Contractors within each designated trade are further divided into Group 1 (“**Group 1**”) or Group 2 (“**Group 2**”) according to the relevant registration requirements under the Registered Specialist Trade Contractors Scheme fulfilled by them. The tender limits (the “**Tender Limits**”) for tenders to be invited for subcontractors vary among the different designated trade categories for Group 1. For the designated trade of plastering, the Tender Limits of contracts/subcontracts value up to HK\$10 million for Group 1, will be imposed for projects to be invited for tenders on or after 1 January 2022. There are no Tender Limits imposed for Group 2.

Categories of registration

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including general demolition, and others (concrete coring and saw cutting) etc.. Since 1 April 2019, subcontractors may apply for registration on the RSTC in one or more of the seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall and on the RS in other common civil, building, electrical and mechanical trades. Since 1 January 2021, subcontractors may apply for registration on the RSTC in the designated trade of plastering.

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Registered Specialist Trade Contractors Scheme) of the Registered Specialist Trade Contractors Scheme, it shall engage all subcontractors

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(whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the Registered Specialist Trade Contractors Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme.

Requirements for registration under the Registered Specialist Trade Contractors Scheme

Applications for registration under the RS are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialities for which registration is applied or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialities for which registration is sought; and
- (c) the proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Subcontractors (or equivalent) conducted by the Construction Industry Council; or the company's proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Applications for registration under the RSTC are subject to a number of requirements based on the relevant trade category and tender limits as detailed in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors issued by the Construction Industry Council in January 2021.

Validity period of registration and renewal of registration

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration whereas a registered specialist trade contractor shall apply for renewal not earlier than six months but not later than three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the committee on Registered Specialist Trade Contractors Scheme which oversees the Registered Specialist Trade

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Contractors Scheme (the “**Committee**”). If some of the entry requirements covered in an application can no longer be satisfied, the Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal as a registered subcontractor shall be valid for three or five years from the expiry of the current registration whereas the approved renewal for a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal.

As advised by the Legal Counsel, there was no legal impediment to the renewal of our registrations by our Group under the Registered Specialist Trade Contractors Scheme as at the Latest Practicable Date, taking into account the five ongoing criminal litigations against our Group and the suspension notice issued by the Labour Department to our Group on 20 May 2021. For details, please refer to the paragraphs headed “Business – Occupational health and work safety – Wong Chuk Hang Suspension Notice in May 2021 – Potential impact on the status of our registration” in this document. Our Directors confirm that we had not been subject to any regulatory action imposed by the Construction Industry Council during the Track Record Period and up to the Latest Practicable Date.

Codes of Conduct

A registered subcontractor and a registered specialist trade contractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “**Codes of Conduct**”). Failure to comply with the Codes of Conduct may result in regulatory actions taken by the Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
- (f) wilful misconducts that may bring the Subcontractor Registration Scheme (and since 1 April 2019, the Registered Specialist Trade Contractors Scheme) into serious disrepute;

REGULATORY OVERVIEW

- (g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
- (h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - (i) loss of life; or
 - (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
- (i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;
- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

The circumstances that may lead to regulatory actions be taken against a registered specialist trade contractor include, but are not limited to (a) a petition for winding-up or bankruptcy has been filed against the registered specialist trade contractor or other financial problems; (b) registered specialist trade contractor's failure to answer queries or provide information relevant to the registration within the prescribed time specified by the committee of the Construction Industry Council; (c) misconduct or suspected misconduct of the registered specialist trade contractor; (d) court conviction or violation of any law by the registered specialist trade contractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Immigration Ordinance, Prevention of Bribery Ordinance, Construction Industry Council Ordinance, Construction Workers Registration Ordinance; (e) matters of public interest; (f) serious or suspected serious poor performance or other serious causes in any public or private sector works contract; and (g) the registered specialist trade contractor's failure to comply with any provisions of the Rules and Procedures for the Registered Specialist Trade Contractors Scheme.

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Regulatory actions

The Committee may instigate regulatory actions against a registered subcontractor by directing that:

- (a) written strong direction and/or warning be given to a registered subcontractor;
- (b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- (c) a registered subcontractor be suspended from registration for a specified duration; or
- (d) the registration of a registered subcontractor be revoked.

The Committee may instigate regulatory actions against a registered specialist trade contractor by directing that:

- (a) written warning be given to the registered specialist trade contractor;
- (b) the registered specialist trade contractor be suspended from registration for a specified period;
- (c) the grouping of a registered specialist trade contractor be changed; or
- (d) the registration of the registered specialist trade contractor be revoked.

Proposed Security of Payment Legislation ("SOPL")

The Government has conducted a public consultation on the SOPL for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution.

The SOPL will, among others:

- prohibit "pay when paid" and similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;
- prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;

REGULATORY OVERVIEW

- enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and
- grant parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator’s decision or non-payment of amounts admitted as due.

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

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

The SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process. However, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval.

The Government released a Technical Circular on the Implementation of the Spirit of Security of Payment Legislation in Public Works Contracts (the “**Technical Circular**”) in October 2021. The Technical Circular sets out the policy on the implementation of the spirit of the SOPL in public works contracts with a view to facilitating timely processing of contract payments and providing an interim mechanism for speedy resolution of payment disputes before the enactment of the SOPL. The scope of contracts covered by the Technical Circular includes public works contracts, term contracts and related subcontracts tendered (i) on or after 31 December 2021, for tenders to be invited from Group B or Group C contractors on the List of Approved Contractors for Public Works; and (ii) on or after 1 April 2022, for tenders to be invited from other contractors on the List of Approved Contractors for Public Works or the List of Approved Suppliers of Materials and Specialist Contractors for Public Works.

It is probable that some of our contracts will be caught by the SOPL and where such contracts are subject to SOPL, we will have to ensure that their terms comply with the legislation in this regard. However, during the Track Record Period, we generally do not adopt “pay when paid” policy with our subcontractors. Furthermore, our Group’s trade payables

REGULATORY OVERVIEW

turnover days were approximately 17.7 days, 17.0 days, 19.9 days and 24.7 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. Based on the above and subject to the terms of the final legislation, our Directors believe that our payments to subcontractors do not materially deviate from the SOPL and the SOPL will not have any significant impact on our business or cash management.

LAWS AND REGULATIONS IN RELATION TO COMPETITION

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

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anticompetitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes the first conduct rule and the second conduct rule, which prohibit anticompetitive agreements and abuse of market power, respectively.

The first conduct rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The second conduct rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong.

Serious anti-competitive conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or combination of the following: (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods and services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods and services; and (iv) bid-rigging.

Section 82 of the Competition Ordinance provides that if the Competition Commission has any reasonable cause to believe that a contravention of the first conduct rule has occurred and the contravention does not involve serious anti-competitive conduct, it shall issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

Section 67 of the Competition Ordinance provides that where a contravention of the first conduct rule has occurred and such contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on condition that the person commits to comply with the requirements of the infringement notice.

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In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, among others: (i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company; (iii) prohibiting an entity from making or giving effect to an agreement; (iv) modifying or terminating an agreement; and (v) requiring the payment of damages to a person who has suffered loss or damage.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 28 April 2020. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the [REDACTED] and holds the entire interest of four subsidiaries, namely, Wai Wai Prestige, Ying Ying, Chan Kiu and Ying Wai.

OUR BUSINESS DEVELOPMENT

We are a subcontractor specialising in wet trades works in Hong Kong. Prior to forming our Group, Mr. KS Chan and Mr. WP Chan had accumulated years of experience in the wet trades works industry in Hong Kong. In 1998, Mr. KS Chan established a sole proprietorship trading under the name of Chan Kiu Construction Decoration Engineering while Mr. WP Chan acted as its foreman, to undertake wet trades works projects. For details of Mr. KS Chan’s and Mr. WP Chan’s background and experience, please refer to the section headed “Directors and senior management” in this document.

The history of our Group can be traced back to 2005, when Mr. KS Chan and Mr. WP Chan established the first subsidiary of our Group, Ying Wai, to engage in wet trades works for public sector projects in Hong Kong. Since September 2006, the sole proprietorship trading under the name of Chan Kiu Construction Decoration Engineering had ceased to undertake new projects up to its dissolution in 2013. To further expand our business, Chan Kiu was subsequently incorporated in 2007 to focus on wet trades works for private sector projects in Hong Kong. In the same year, we commenced our business relationship with Customer Group A, our top customer during the Track Record Period. Under the leadership of Mr. KS Chan and Mr. WP Chan, our Group has expanded its business throughout the years and undertook wet trades works for different residential, commercial and institutional developments in Hong Kong, including different large-scale infrastructure projects.

In October 2006 and November 2010, Ying Wai and Chan Kiu were first admitted to the Register of Subcontractors under the Subcontractor Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) of the Construction Industry Council under the trade category of finishing wet trades, respectively.

We endeavour to enhance our management system and provide quality services to our customers. Chan Kiu was recognised as an accredited sub-contractor by the Hong Kong Professional Building Inspection Academy in relation to a wet trades works project for a private residential development at Lee Tung Street, Wan Chai under the categories of plastering and tiling in March 2016 and a wet trades works project for a private residential development in Kai Tak under the category of plastering in March 2018, and was awarded the 2016 Best Safety Sub-contractor Award (Bronze) (2016年度最佳安全分判獎(銅獎)) from Customer Group A in relation to a wet trades works project for a private residential development at Castle Peak Road, Tuen Mun in 2016. Ying Wai was awarded a commendation certificate of Good Safety

HISTORY, DEVELOPMENT AND REORGANISATION

Performance Contractor (良好安全表現承判商) from Customer Group D in relation to a wet trades works project for an institutional development in Shatin in February 2017, and was further awarded the Quality Public Housing Construction and Maintenance Awards 2017 (New Works Projects – Outstanding Contractors – Domestic Sub-contractors) in the plastering and tiling category from the Housing Authority in November 2017. In April 2018, Chan Kiu was first accredited with ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System) (currently upgraded to ISO 45001) in the provision of builders work in plastering, paving, tiling, block work/bricklaying, spray plastering, screeding and marble/granite work. In 2020, our Group ranked the first in the Hong Kong wet trades works subcontracting market in terms of revenue, and accounted for approximately 4.0% of market share in Hong Kong, according to the Industry Report.

Our key business milestones

The key milestones in our Group's development to date are set out below.

Year	Events
2005	<ul style="list-style-type: none">The first subsidiary of our Group, Ying Wai, was incorporated in Hong Kong in July 2005 to engage in wet trades works for public sector projects in Hong Kong
2006	<ul style="list-style-type: none">Ying Wai was first admitted to the Register of Subcontractors under the Subcontractor Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) of the Construction Industry Council under the trade category of finishing wet trades
2007	<ul style="list-style-type: none">Ying Wai was awarded a wet trades works project for a public housing estate in Yau Tong, with an initial contract sum of approximately HK\$12.9 millionChan Kiu was incorporated in Hong Kong in October 2007 to focus on wet trades works for private sector projects in Hong KongWe commenced our business relationship with Customer Group A for private residential developments
2010	<ul style="list-style-type: none">Chan Kiu was first admitted to the Register of Subcontractors under the Subcontractor Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) of the Construction Industry Council under the trade category of finishing wet trades

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
2012	<ul style="list-style-type: none">• Chan Kiu was awarded a wet trades works project for The Hong Kong Polytechnic University• Chan Kiu was awarded a wet trades works project for the Central-Wan Chai Bypass
2013	<ul style="list-style-type: none">• Chan Kiu was awarded a wet trades works project for phase 1 of a public housing estate in Shatin, with an initial contract sum of approximately HK\$28.2 million, and was further awarded a wet trades works project for its phases 3 and 4 in 2014, with an initial contract sum of approximately HK\$54.3 million• Ying Wai was awarded a wet trades works project for phase 1 of a public housing estate in Cheung Sha Wan, with an initial contract sum of approximately HK\$27.7 million, and was further awarded a wet trades works project for its phase 2 in 2016, with an initial contract sum of approximately HK\$41.1 million• Chan Kiu was awarded two wet trades works projects for a private residential development at Fo Chun Road, Pak Shek Kok, Tai Po, with an aggregate initial contract sum of approximately HK\$99.0 million
2015	<ul style="list-style-type: none">• Chan Kiu was awarded a wet trades works project for a private residential development at Castle Peak Road, Tuen Mun, with an initial contract sum of approximately HK\$112.3 million
2016	<ul style="list-style-type: none">• Chan Kiu was recognised as an accredited sub-contractor in the plastering and tiling categories by the Hong Kong Professional Building Inspection Academy in relation to a wet trades works project for a private residential development at Lee Tung Street, Wan Chai• Chan Kiu was awarded a wet trades works project for a supporting facility of the Hong Kong-Zhuhai-Macao Bridge• Chan Kiu was awarded a wet trades works project for the Hong Kong Children's Hospital, with an initial contract sum of approximately HK\$95.0 million• Chan Kiu was awarded the 2016 Best Safety Sub-contractor Award (Bronze) (2016年度最佳安全分判獎(銅獎)) from Customer Group A in relation to a wet trades works project for a private residential development at Castle Peak Road, Tuen Mun

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
2017	<ul style="list-style-type: none">• Ying Wai was awarded the Good Safety Performance Contractor Commendation Certificate (良好安全表現承判商嘉許狀) from Customer Group D in relation to a wet trades works project for an institutional development in Shatin• Ying Wai was awarded the Quality Public Housing Construction and Maintenance Award (New Works Projects – Outstanding Contractors – Domestic Sub-contractors) in the plastering and tiling category from the Housing Authority
2018	<ul style="list-style-type: none">• Chan Kiu was recognised as an Accredited Sub-contractor in the plastering category by the Hong Kong Professional Building Inspection Academy in relation to a wet trades works project for a private residential development in Kai Tak• Chan Kiu was first accredited with ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System)• Chan Kiu was awarded a wet trades works project for a private residential development at Fo Chun Road, Pak Shek Kok, Tai Po, with an initial contract sum of approximately HK\$121.9 million
2020	<ul style="list-style-type: none">• Ying Wai was awarded two wet trades works projects for a commercial development at Hong Kong International Airport, with an aggregate initial contract sum of approximately HK\$219.0 million
2021	<ul style="list-style-type: none">• Chan Kiu was recognised as an Accredited Sub-contractor in the plastering category by the Hong Kong Professional Building Inspection Academy in relation to a wet trades works project for a private residential development in Tuen Mun and Yuen Long respectively
2022	<ul style="list-style-type: none">• Chan Kiu was awarded four wet trades works projects for community isolation and treatment facilities at Kai Tak Cruise Terminal, Yuen Long and San Tin

HISTORY, DEVELOPMENT AND REORGANISATION

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in shareholdings of our Group’s subsidiaries:

Wai Wai Prestige

Wai Wai Prestige was incorporated in BVI with limited liability on 8 May 2020. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. It is an investment holding company.

On the date of its incorporation, Wai Wai Prestige allotted and issued 100 shares with a par value of US\$1 each as fully paid to our Company, and all the issued shares of Wai Wai Prestige became wholly-owned by our Company.

Ying Ying

Ying Ying was incorporated in BVI with limited liability on 8 May 2020. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. It is an investment holding company.

On the date of its incorporation, Ying Ying allotted and issued 100 shares with a par value of US\$1 each as fully paid to our Company, and all the issued shares of Ying Ying became wholly-owned by our Company.

Ying Wai

Ying Wai was incorporated in Hong Kong with limited liability on 30 July 2005. It engages in the provision of wet trades works in Hong Kong.

On the date of its incorporation, Ying Wai allotted and issued eight subscriber shares and two subscriber shares of HK\$1 each as fully paid to Mr. KS Chan and Mr. WP Chan, respectively, and the issued share capital of Ying Wai became owned as to 80% and 20% by Mr. KS Chan and Mr. WP Chan, respectively.

As part of the Reorganisation, Ying Wai became a wholly-owned subsidiary of Ying Ying.

Chan Kiu

Chan Kiu was incorporated in Hong Kong with limited liability on 18 October 2007. It engages in the provision of wet trades works in Hong Kong.

On the date of its incorporation, Chan Kiu allotted and issued eight subscriber shares and two subscriber shares of HK\$1 each as fully paid to Mr. KS Chan and Mr. WP Chan,

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respectively, and the issued share capital of Chan Kiu became owned as to 80% and 20% by Mr. KS Chan and Mr. WP Chan, respectively.

As part of the Reorganisation, Chan Kiu became a wholly-owned subsidiary of Wai Wai Prestige.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the [REDACTED], which involved the following steps:

Incorporation of Evolve Billion

On 21 April 2020, Evolve Billion was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share.

On the date of its incorporation, Evolve Billion allotted and issued 80 shares and 20 shares with a par value of US\$1 each as fully paid to Mr. KS Chan and Mr. WP Chan, respectively, and all the issued shares of Evolve Billion was owned as to 80% by Mr. KS Chan and 20% by Mr. WP Chan, respectively.

Incorporation of our Company and redenomination of the authorised and issued share capital of our Company from US\$1 to HK\$0.01

On 28 April 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 per share.

On the date of its incorporation, our Company allotted and issued one subscriber share with a par value of US\$1 as fully paid to a nominee subscriber. On the same date, the nominee subscriber as transferor executed an instrument of transfer in favour of Evolve Billion as transferee, pursuant to which the nominee subscriber transferred the one subscriber share with a par value of US\$1, representing the entire issued share capital of our Company, to Evolve Billion for a consideration of US\$1. Such transaction was properly and legally completed and settled.

Upon completion of the above transaction, on the same date, our Company further allotted and issued 49,999 ordinary shares with a par value of US\$1 each as fully paid to Evolve Billion. Evolve Billion then held 50,000 ordinary shares with a par value of US\$1 each (the “**USD-denominated Shares**”), representing the entire issued share capital of our Company.

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On 24 September 2020, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each to the aggregate of (i) US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each and (ii) HK\$500,000 by the creation of 50,000,000 new Shares. Our Company allotted and issued 39,000,000 new Shares as fully paid to Evolve Billion. At the same time, our Company repurchased the USD-denominated Shares at a consideration of US\$50,000 and the USD-denominated Shares were cancelled upon repurchase. Immediately following such repurchase, our Company cancelled the 50,000 authorised but unissued shares with a par value of US\$1 each in the share capital of our Company.

After the redenomination of authorised and issued share capital, the entire issued share capital of our Company remained wholly-owned by Evolve Billion.

Incorporation of Wai Wai Prestige and Ying Ying

On 8 May 2020, Wai Wai Prestige and Ying Ying were incorporated in BVI with limited liability, respectively. Each of Wai Wai Prestige and Ying Ying is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share.

On the date of their respective incorporations, each of Wai Wai Prestige and Ying Ying allotted and issued 100 shares with a par value of US\$1 each as fully paid to our Company, and all the issued shares of each of Wai Wai Prestige and Ying Ying became wholly-owned by our Company.

Acquisition of Chan Kiu and Ying Wai by Wai Wai Prestige and Ying Ying respectively from Mr. KS Chan and Mr. WP Chan

Immediately before the Reorganisation:

- (i) Mr. KS Chan and Mr. WP Chan legally and beneficially owned eight ordinary shares and two ordinary shares in Chan Kiu, respectively, representing 80% and 20% of the entire issued share capital of Chan Kiu, respectively; and
- (ii) Mr. KS Chan and Mr. WP Chan legally and beneficially owned eight ordinary shares and two ordinary shares in Ying Wai, respectively, representing 80% and 20% of the entire issued share capital of Ying Wai, respectively.

On 17 November 2020, Mr. KS Chan, Mr. WP Chan, Wai Wai Prestige, Ying Ying and our Company entered into a reorganisation agreement, pursuant to which:

- (i) Wai Wai Prestige acquired eight ordinary shares and two ordinary shares in Chan Kiu from Mr. KS Chan and Mr. WP Chan, respectively, representing 80% and 20% of the entire issued share capital of Chan Kiu, respectively. In consideration

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of the acquisition, Wai Wai Prestige allotted and issued 900 shares of US\$1 each in Wai Wai Prestige, credited as fully paid, to our Company at the direction of Mr. KS Chan and Mr. WP Chan; and

- (ii) Ying Ying acquired eight ordinary shares and two ordinary shares in Ying Wai from Mr. KS Chan and Mr. WP Chan, respectively, representing 80% and 20% of the entire issued share capital of Ying Wai, respectively. In consideration of the acquisition, Ying Ying allotted and issued 900 shares of US\$1 each in Ying Ying, credited as fully paid, to our Company at the direction of Mr. KS Chan and Mr. WP Chan.

Upon completion of the above transactions, Chan Kiu became a wholly-owned subsidiary of Wai Wai Prestige and Ying Wai became a wholly-owned subsidiary of Ying Ying.

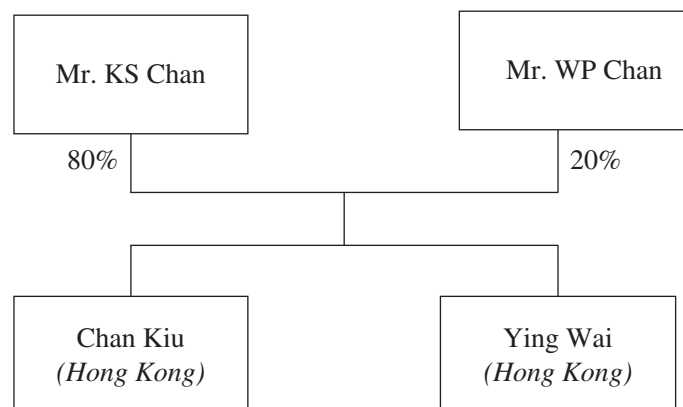
ACTING IN CONCERT UNDERTAKING

Pursuant to the Acting in Concert Undertaking, Mr. KS Chan and Mr. WP Chan confirmed that they have been acting in concert in respect of all corporate matters relating to the operations of our Group since the date of incorporation of Ying Wai and undertake to continue to be acting in concert from the date of the Acting in Concert Undertaking and during the period they (by themselves or together with their associates) remain in control of our Group.

By virtue of the Acting in Concert Undertaking, Mr. KS Chan and Mr. WP Chan will together be entitled to exercise and control approximately [REDACTED] of the entire issued share capital of our Company upon the completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme).

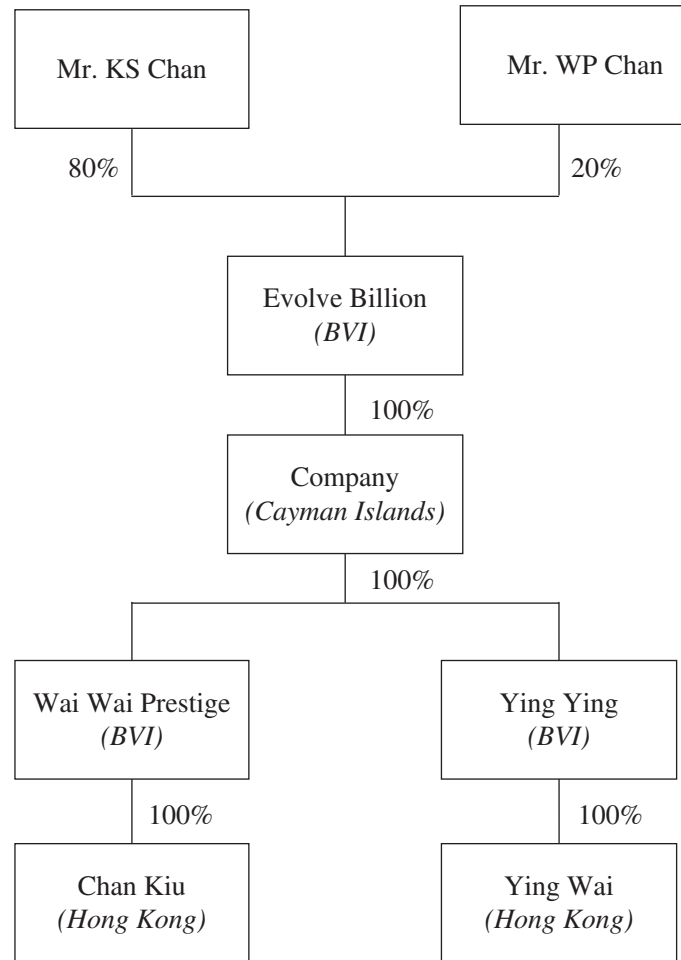
CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding and corporate structure immediately before the Reorganisation:



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The following chart sets forth our Group's shareholding and corporate structure immediately after the Reorganisation but before the [REDACTED] and the [REDACTED]:

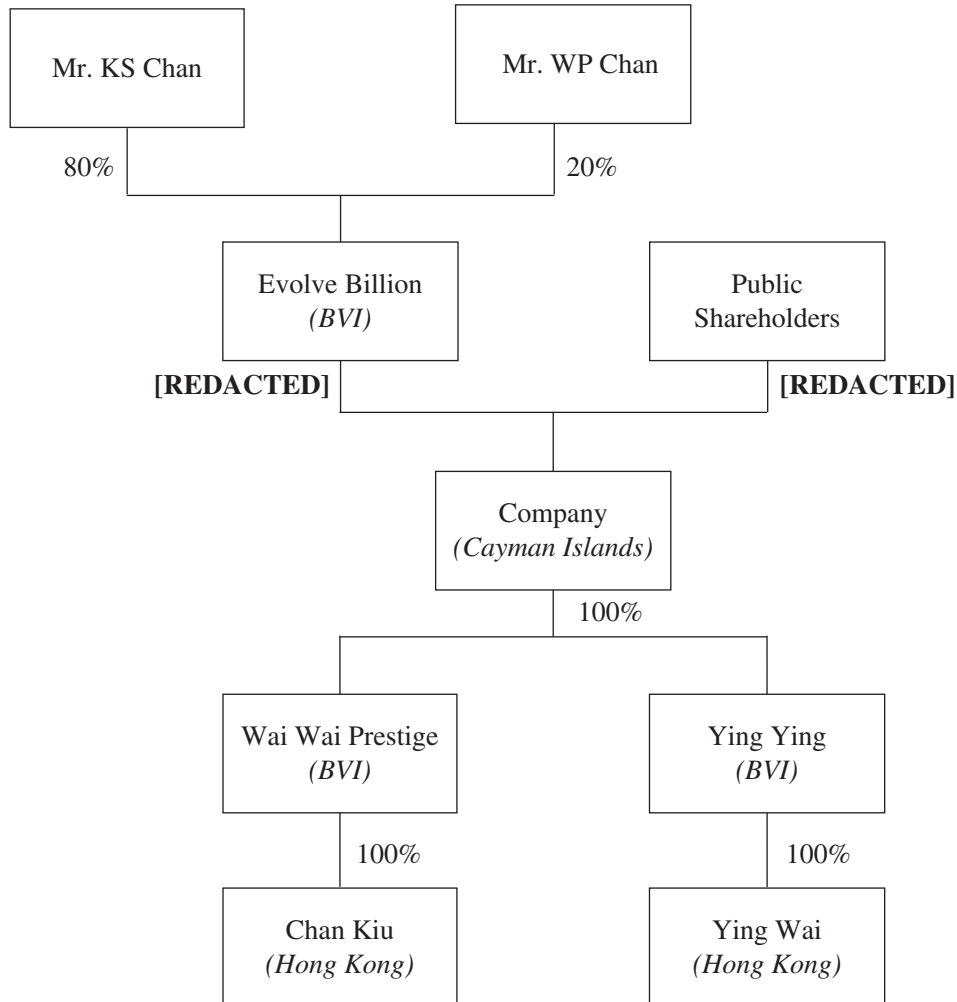


[REDACTED]

Conditional upon the crediting of our Company's share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of [REDACTED] Shares for allotment and issue, immediately prior to the [REDACTED], to Evolve Billion so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute [REDACTED] of the issued share capital of our Company (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme).

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The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme):



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BUSINESS OVERVIEW

We are a wet trades contractor in Hong Kong. We were established in 2005 and have since undertaken wet trades works in the role of subcontractor. Our business is carried out by our two principal operating subsidiaries, Chan Kiu and Ying Wai. During the Track Record Period, the wet trades works performed by us mainly included plastering, tile laying, brick laying, floor screeding and marble works. According to the Industry Report, our Group ranked the first in the Hong Kong wet trades works subcontracting market in terms of revenue in 2021, and accounted for approximately 4.0% of the market share in 2021.

We were mainly engaged in private sector projects in Hong Kong. Our private sector projects mainly involved private residential developments and commercial developments. The project owners of our private sector projects were generally property developers, and our customers were main contractors engaged under such projects. To a lesser extent, we were also engaged in public sector projects in Hong Kong. Our public sector projects mainly involved public residential developments as well as infrastructure and public facilities developments. The customers of our public sector projects were generally main contractors engaged by Government departments and statutory bodies.

During the Track Record Period, the majority of our revenue was derived from wet trades works for residential developments. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to project sectors and types of development involved:

	No. of projects	FY2018/19			FY2019/20			Gross profit margin	Gross profit margin	
		Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000	Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000			
Private sector										
– Residential	23	355,719	79.4	18,735	5.3	25	425,654	82.9	36,707	8.6
– Commercial	5	3,141	0.7	221	7.0	5	933	0.2	65	7.0
Sub-total	28	358,860	80.1	18,956	5.3	30	426,587	83.1	36,772	8.6
Public sector										
– Residential	8	43,121	9.6	4,436	10.3	9	42,932	8.4	4,269	9.9
– Infrastructure and public facilities	4	45,939	10.3	8,119	17.7	8	43,635	8.5	4,960	11.4
Sub-total	12	89,060	19.9	12,555	14.1	17	86,567	16.9	9,229	10.7
Total	40	447,920	100.0	31,511	7.0	47	513,154	100.0	46,001	9.0

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	FY2020/21					FY2021/22				
	No. of projects	% of total		Gross profit	Gross profit margin	No. of projects	% of total		Gross profit	Gross profit margin
		Revenue	revenue				Revenue	revenue		
	HK\$'000	%	HK\$'000	%		HK\$'000	%	HK\$'000	%	
Private sector										
– Residential	31	253,783	57.6	23,771	9.4	28	285,993	62.7	32,918	11.5
– Commercial	6	102,329	23.3	17,536	17.1	11	90,066	19.7	10,914	12.1
Sub-total	37	356,112	80.9	41,307	11.6	39	376,059	82.4	43,832	11.7
Public sector										
– Residential	4	56,531	12.8	7,428	13.1	5	1,934	0.4	527	27.2
– Infrastructure and public facilities	10	27,726	6.3	5,187	18.7	13	78,439	17.2	13,329	17.0
Sub-total	14	84,257	19.1	12,615	15.0	18	80,373	17.6	13,856	17.2
Total	51	440,369	100.0	53,922	12.2	57	456,432	100.0	57,688	12.6

Our Group’s revenue for private commercial projects increased from approximately HK\$0.9 million for FY2019/20 to approximately HK\$102.3 million for FY2020/21. The increase in revenue was mainly attributable to the substantial amount of wet trades works we had performed for Project #07, which contributed approximately HK\$72.8 million in revenue for FY2020/21 (FY2019/20: approximately HK\$49,000). For further details, please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Top projects undertaken during the Track Record Period” in this document.

Our Group’s revenue decreased from approximately HK\$513.2 million for FY2019/20 to approximately HK\$440.4 million for FY2020/21. The decrease in revenue was mainly driven by (i) the decrease in the overall market opportunities in the wet trades works industry in Hong Kong which was mainly attributable to the temporary impact of the outbreak of COVID-19 in 2020; (ii) Project #03 and Project #06 contributed a relatively lower revenue for FY2020/21, as compared to FY2019/20; and (iii) some projects had been substantially completed in FY2019/20 while new projects with large contract sum were awarded or commenced works after the third quarter of 2020 onwards. For further details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations – FY2020/21 compared with FY2019/20” in this document.

Our Group’s revenue increased to approximately HK\$456.4 million for FY2021/22. The increase in revenue was mainly driven by the increase in the amount of works performed by our Group in some of our ongoing sizeable projects, including Project #16, a private residential project in Wong Chuk Hang, which contributed approximately HK\$61.4 million to our revenue during FY2021/22 (FY2020/21: approximately HK\$6.9 million).

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During the Track Record Period, we had a total of 97 projects with revenue contribution to us. As at the Latest Practicable Date, we had 41 projects on hand. For further details, please refer to the paragraph headed "Projects on hand" below in this section.

We have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety supervision and quality control; and (v) developing detailed work schedule and work allocation plan.

Given that all the necessary licences, permits or approval required for projects in which we are involved are arranged by the relevant main contractors, there is no particular licence, permit or approval required to be obtained by us in providing wet trades works services as a subcontractor under private sector projects except the business registration. Meanwhile, subcontractors engaged under public sector projects initiated by the Government are generally required to possess registration under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Both of our principal operating subsidiaries, Chan Kiu and Ying Wai, are currently registered specialist trade contractors in the designated trade category of plastering (Group 2) under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. We were first admitted to the Subcontractor Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) in 2006. For further details, please refer to the paragraph headed "Licences and qualifications" below in this section.

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 toolings; and (iii) suppliers of other miscellaneous services such as machinery rental and repair and maintenance services.

Over the years, we are able to maintain stable relationships with our customers and subcontractors. As at the Latest Practicable Date, we had established business relationship with three of our top customers for over nine years and four of our top subcontractors for over five years.

As we focus on the role of project management and supervision, the site works in our projects, which are labour intensive in nature, are mainly undertaken by our subcontractors. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we incurred subcontracting fees of approximately HK\$372.3 million, HK\$412.3 million, HK\$333.6 million and HK\$332.9 million, representing approximately 94.8%, 92.8%, 91.5% and 89.2% of our total purchase, respectively.

Depending on the contract terms agreed with our customers, materials and toolings may be (i) procured by us at our cost; (ii) provided by our customers at their cost; or (iii) procured by our customers for our use and such costs will be subsequently deducted in the relevant payment certificates issued to us. When subcontractors are engaged by us, materials are (i) provided by our subcontractors at their cost; or (ii) procured by us at our cost; or (iii) procured by us for our subcontractors' use at their costs and the amount we incurred for the purchases will be deducted

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from our payment to our subcontractors. The major types of materials that we required included Portland cement, hydraulic lime, concrete blocks, aggregates and sand and the major toolings that we required included personal protective equipment, parts and components for plaster spray machines and other wet trades works ancillary tools.

According to the Industry Report, the demand for wet trades works will continue to grow at a CAGR of 6.6% from 2022 to 2026, reaching a gross value of approximately HK\$15.6 billion in 2026. Driven by (i) the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors; (ii) the housing supply target for the 10-year period from 2021–22 to 2030–31 of 430,000 units according to the Long Term Housing Strategy issued in 2020; and (iii) the continuous investment by the Government in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the next few years, as proposed by the Chief Executive in the 2020 Policy Address, the gross value of wet trades works is expected to maintain a steady growth. With our experienced management team and past track record, our executive Directors believe that we are well-positioned to capture the growing demand for wet trades works in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed “Industry overview” in this document.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We have an established track record in the wet trades industry in Hong Kong

The history of our Group can be traced back to 2005, when Mr. KS Chan and Mr. WP Chan established Ying Wai, being the first subsidiary of our Group. According to the Industry Report, our Group ranked the first in the Hong Kong wet trades works subcontracting market in terms of revenue in 2021, and accounted for approximately 4.0% of the market share in 2021. In our operating history of over 15 years, we have focused on providing wet trades works services in the role of subcontractor and built up our expertise and track record in wet trades works. Ying Wai and Chan Kiu, being our principal operating subsidiaries, were first admitted to the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council in 2006 and 2010, respectively.

We take pride in our project portfolio in wet trades works for residential projects. We obtained our first residential project in 2007. During the Track Record Period, the majority of our revenue was derived from wet trades works for residential developments, which accounted for approximately 89.0%, 91.3%, 70.4% and 63.1% of our total revenue for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. In recent years, we have provided wet trades works services for various residential developments initiated by some of the leading private residential property developers in Hong Kong. During the Track Record Period, we had undertaken wet trades works for more than ten private sector residential and commercial developments initiated by four of the five leading private property developers in Hong Kong according to the Industry Report (in terms of number of

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property completion in Hong Kong in 2021). According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. As property developers strive to maintain their industry reputation, demand for quality wet trades works has thus increased in order to fulfil the interior design and inspection requirement. Leveraging our proven track record and established customer network, we believe that the demand for our services will likely to continue to increase in the future.

Our commitment to service quality has been well recognised in the construction industry. Chan Kiu was recognised as an accredited sub-contractor by the Hong Kong Professional Building Inspection Academy in relation to a wet trades works project for a private residential development at Lee Tung Street, Wan Chai under the categories of plastering and tiling in March 2016 and a wet trades works project for a private residential development at Kai Tak under the category of plastering in March 2018, and was awarded the 2016 Best Safety Sub-contractor Award (Bronze) (2016年度最佳安全分判獎(銅獎)) from Customer Group A in relation to a wet trades works project for a private residential development at Castle Peak Road, Tuen Mun in 2016. Ying Wai was awarded the Good Safety Performance Contractor Commendation Certificate (良好安全表現承判商嘉許狀) from Customer Group D in relation to a wet trades works project for an institutional development in Shatin in February 2017, and was further awarded the Quality Public Housing Construction and Maintenance Award (New Works Projects – Outstanding Contractors – Domestic Sub-contractors) in the plastering and tiling category from the Housing Authority in November 2017. We believe that our proven track record of quality works, our expertise in wet trades operations and our ability to deliver works on time are the crucial factors that enable us to gain trust from our existing customers and give us a competitive edge when tendering for projects.

We have established long-term relationship with some of our major customers

We have established long-standing relationships with some of our major customers. As at the Latest Practicable Date, we had established business relationship with three of our top customers during the Track Record Period for over nine years. In particular, our Group has been conducting business with each of Customer Group A and Customer Group D for over 15 years. Based on the Industry Report, in terms of annual turnover in 2021, Customer Group A is one of the largest construction contractors in Hong Kong, while Customer Group D is a major construction contractor for public sector construction works in Hong Kong. The parent companies of these two major customers are both reputable companies listed on the Stock Exchange. We believe that these two major customers regard us as their preferred business partner and the long-standing relationships with us is attributable to their confidence in our ability to consistently deliver quality service over the years of business cooperation.

Leveraging our working experience with sizeable customers, we have accumulated the know-how and expertise in meeting the quality standards of other potential customers. During the Track Record Period, we have started conducting businesses with more than ten sizeable construction contractors (including but not limited to Sanfield, Customer F, Customer Group H, Customer I and First Group) and obtained a number of large scale

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projects from some of them. For example, we obtained two sizeable private residential projects, namely Project #12 and #13, with adjusted contract sum of approximately HK\$48.8 million and HK\$42.5 million, from Customer F and Customer I, respectively. Attributed to our industry reputation and extensive experience of working with sizeable customers, we believe that not only can we attract opportunities to work on different types of construction developments, but also enhance our prospect in obtaining tender opportunities from our potential customers.

Our executive Directors consider that our major customers, being active construction contractors in Hong Kong, would have substantial demands for wet trades works services from subcontractors which are capable of providing reliable and quality services and with which it has long-standing relationship. We believe that maintaining a stable customer network enables us to have more tender opportunities and thus places us in an advantageous position in obtaining new businesses.

We have established stable relationships with some of our major subcontractors

We keep a pre-approved list of subcontractors to ensure that our subcontractors possess the relevant qualifications and we have established stable relationships with some of our major subcontractors. As at the Latest Practicable Date, seven of our major subcontractors during the Track Record Period had been working with us for over five years. With our established relationships with these subcontractors, we believe that not only can we undertake projects of various scale and fulfil the specifications and requirements of different customers, but also ensure stable and timely delivery of services from our subcontractors.

In addition, attributed to our strong financial capability, we have maintained a track record of timely payment to our subcontractors. We have not adopted any "pay when paid" policy with our subcontractors. During the Track Record Period, our trade receivables turnover days were within the range of approximately 22.2 to 36.6 days, while our trade payables turnover days were within the range of approximately 17.0 to 24.7 days. In other words, we generally pay our subcontractors before payment by our customers. For instance, as at 31 March 2022, our trade payables amounted to approximately HK\$28.7 million, all of which had been subsequently settled up to the Latest Practicable Date. According to the Industry Report, wet trades subcontractors generally prefer to work for customers who are able to settle their payments on time as this could facilitate their project planning and liquidity management. We believe our good payment history distinguishes us from our competitors and help us to attract and retain high quality subcontractors.

Our executive Directors consider that our track record of timely payment to our subcontractors enables us to develop a long-term and stable relationship with our major subcontractors which in turn provides us with a pool of readily available site workers and facilitates us in delivering quality services on a timely basis that are crucial to our Group's day-to-day operations and future business developments.

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Our management team is experienced and dedicated

Our management team has extensive industry knowledge and project experience in the wet trades works industry in Hong Kong. Mr. KS Chan, the chairman of our Board, chief executive officer of our Group, executive Director and one of our founders, has over 30 years of experience in the wet trades works industry. Mr. KS Chan is primarily responsible for the overall management, formulation of business strategies, project management and day-to-day management of the operations of our Group. Mr. WP Chan, an executive Director and one of our founders, has over 20 years of experience in the wet trades works industry. Mr. WP Chan is primarily responsible for the overall project management and day-to-day management of the operations of our Group. Mr. KS Chan and Mr. WP Chan have been appointed as the president and a council member of The Association of Plastering Sub-Contractors Limited, respectively, since 2015. Our executive Directors are supported by our project management team consisting of 43 personnel as at 31 March 2022, who possess practical skills and experience as required in handling our projects. For example, Mr. Lai Wai Hung, our project manager and a member of our senior management, has over 10 years of experience in the wet trades works industry. For further details regarding the background and experience of our management team, please refer to the section headed “Directors and senior management” in this document.

Under the leadership of Mr. KS Chan and Mr. WP Chan, we have a strong and dedicated execution team in liaising with our existing and potential customers for their needs and market trends. In particular, we maintain frequent interactions with our customers for their feedbacks on the quality of our services. Our executive Directors believe that our management’s technical expertise and professional knowledge of the industry have been our Group’s valuable assets and will continue to strengthen our competitiveness in the industry.

We impose a stringent quality control and environmental impact control

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Our quality management system has been certified to satisfy the requirement of ISO 9001:2015. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us, and our environmental management system has been certified to satisfy the requirements of ISO 14001:2015. Our executive Directors believe that our stringent quality assurance system and strong commitment to environmental management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as a wet trades works contractor in Hong Kong.

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The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the Hong Kong wet trades industry. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional wet trades works projects, from both our existing and potential new customers, on top of our present scale of operation and our current projects on hand.

Taking into consideration (i) our competitive strengths set out in the paragraph headed "Competitive strengths" above in this section; and (ii) the forecasted growth of wet trades industry in Hong Kong as provided in the Industry Report, our executive Directors believe that our Group would be able to capture the potential business opportunities associated with the forecasted increase in demand for wet trades industry as discussed in the paragraphs below if we continue to increase our available resources.

In this connection, our key business strategies are as follows:

Competing for wet trades works projects and expanding our market share

According to the Industry Report, driven by (i) the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors; (ii) the housing supply target for the 10-year period from 2021–22 to 2030–31 of 430,000 units as stated in the Long Term Housing Strategy issued in 2020; and (iii) the continuous investment by the Government in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the next few years, as proposed by the Chief Executive in the 2020 Policy Address, it is expected that the gross value of wet trades works in Hong Kong will further increase from approximately HK\$12.1 billion in 2022 to approximately HK\$15.6 billion in 2026, representing a CAGR of approximately 6.6% from 2022 to 2026. As such, our executive Directors believe that our Group should focus on deploying our resources towards competing for additional and more sizeable wet trades works projects in Hong Kong. However, the number of projects that can be executed by our Group concurrently at any given time is constrained by our then available resources, including the availability of our manpower, machinery and working capital.

During the Track Record Period, we had experienced significant growth in our business operations which was mainly attributable to the increase in number and scale of wet trades works projects undertaken by us. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we undertook 40, 47, 51 and 57 projects which derived revenue of approximately HK\$447.9 million, HK\$513.2 million, HK\$440.4 million and HK\$456.4 million, respectively. The backlog value of our projects on hand as at 31 March 2022 was approximately HK\$758.1 million, which was higher than our backlog value as at 31 March 2021 (i.e. approximately HK\$548.1 million), 31 March 2020 (i.e. approximately HK\$373.9

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million) and 31 March 2019 (i.e. approximately HK\$476.1 million). In light of the aforesaid, our executive Directors believe that our Group will be able to undertake additional projects on top of our present scale of operation and our current projects on hand if we are able to continue to increase our available resources, including our manpower, machinery and financial resources.

In addition, our executive Directors consider that the [REDACTED] will enhance our corporate profile and credibility which will enable our Group to be considered more favourably by our existing and potential new customers, given that a [REDACTED] company is subject to ongoing regulatory compliance for announcements, financial disclosure and corporate governance. According to the Industry Report, except for our Group, two of the top five leading wet trades works subcontractors in Hong Kong by revenue in 2021 are companies [REDACTED] on the Stock Exchange, and hence we believe that having a public [REDACTED] status would strengthen our market position among the top players in the wet trades industry. Based on the above, our executive Directors consider that upon our successful [REDACTED], our Group will have greater exposure to potential opportunities, and our competitiveness for wet trades works projects will increase accordingly.

During the Track Record Period, our Group experienced an increase in demand for our wet trades works services as evidenced by the growing number of tender invitations received by us from both new potential customers and existing customers. Upon receipt of tender invitations from our customers, our executive Directors would generally take into consideration, amongst other factors, our available financial resources and project supervision staff to determine whether we should proceed with the preparation of tender. During the Track Record Period, our Group had adopted a proactive approach in tender submission to capture more potential business opportunities in the wet trades works industry, resulting in a significant increase in the number of tenders submitted by us during the same period. The number of tenders submitted by us increased from 86 for FY2018/19 to 111 for FY2021/22. For FY2018/19, FY2019/20, FY2020/21 FY2021/22, our tender success rate was approximately 14.0%, 21.6%, 12.6% and 18.0%, respectively. As at the Latest Practicable Date, our Group had a total of 42 submitted tenders with an aggregate estimated tender amount of approximately HK\$1.6 billion that were still undergoing tender selection process and pending tender results.

Besides, we have made consistent effort in expanding our customer base. For example, we obtained two sizeable private residential projects, namely Project #12 and #13, with adjusted contract sum of approximately HK\$48.8 million and HK\$42.5 million, from Customer F and Customer I, being our new customers during the Track Record Period, respectively. Besides, we have also actively sought opportunities in undertaking additional wet trades works projects from different customers. In August 2021, we have obtained two projects, namely Project O13 and O14, with estimated contract sum of approximately HK\$32.8 million and HK\$16.6 million, respectively, from Customer C, which is a multi-national construction company.

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Taking into consideration (i) our ability to maintain our tendering performance at a satisfactory level along with our proactive tendering strategy; and (ii) our ability in expanding our customer base, our executive Directors consider that there will be a strong demand for our wet trades works services.

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

(I) Financial requirements for the project up-front costs of our potential as well as newly awarded projects

According to the Industry Report, market participants without sufficient experience, capital and financial resources are less likely to be considered in the tender selection process. Therefore, wet trades contractors with stronger financial standing and cash flow liquidity are able to tender for more and large scale projects. In view of the aforesaid, our executive Directors believe that our expansion of service capacity and business growth have to be supported by sound financial position and sufficient financial resources. A strong capital base is essential to cope with increased turnover and support capital intensive wet trades works projects.

According to the Industry Report, wet trades contractors generally experience net cash outflows as project up-front costs at the early stage of a project. The up-front costs of our projects generally include costs incurred at the early stage of a project comprising subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs. As advised by F&S, while the nature and quantum of project up-front costs incurred varies from project to project, the average amount of up-front costs incurred for wet trades works project is generally within the range of approximately 10% to 25% of the contract sum and may vary depending on the size and the duration of the project, the payment practice of different contractors and the relationship between the relevant parties involved. Further, we generally continue to experience net cash outflow even after the first payment received from our customers due to the time lag between the receipt of progress payment from our customers and payments to our subcontractors and other suppliers. Based on our experience, the amount of cash inflow received from our customers over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of works, while the costs incurred by us typically experienced a less-than-proportionate increase over the period. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses.

Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months (the "**Up-front Period**"). Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group

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during the Up-front Period represented on average 20% of the contract sum of the project. The specific amount of up-front costs incurred may vary from project to project, depending on the party being responsible for the procurement of materials, the schedule of project implementation and the length of our relationships with the relevant customers.

Our Group had 41 projects on hand as at the Latest Practicable Date. Out of our 41 projects on hand, (i) Project O14 and O17, with aggregated contract sum of approximately HK\$61.7 million, had been awarded to us and are expected to commence in or around the third quarter of 2022; and (ii) Project O18, O19, O20 and O22, with aggregated contract sum of approximately HK\$382.3 million, have commenced site preparatory and preliminary works as at the Latest Practicable Date, with a substantial part of works under these projects expected to be performed in or around the third or fourth quarter of 2022. Based on the assumption that the amount of up-front costs to be incurred by our Group during the Up-front Period represented on average 20% of the contract sum of these projects, it is expected that Project O14, O17 to O20 and O22 will incur up-front costs of approximately HK\$88.8 million during the Up-front Period in aggregate. Based on our operation history during the Track Record Period and depending on the scale of the projects, we generally start incurring a substantial portion of the up-front costs around three to four months after the commencement of the projects. Accordingly, based on the tentative project timeline available, we anticipate that we will start incurring substantial portion of the up-front costs for Project O14, O17 to O20 and O22 from the third or fourth quarter of 2022 onwards.

As at the Latest Practicable Date, our Group had 42 submitted tenders which were still undergoing tender selection process and pending tender result. Out of these 42 tenders, our executive Directors are positive that we shall be able to secure at least three projects, namely Project T01 to T03 (the “**Identified Projects**”), taking into consideration the latest negotiation with the relevant customers. For further details of the Identified Projects, please refer to the paragraph headed “Future plans and use of [REDACTED] – Use of [REDACTED]” in this document. Based on tender information available from the relevant customers and the estimated work schedule, it is expected that the Identified Projects will commence in or around the third quarter of 2022. Based on the assumption that the amount of up-front costs to be incurred by our Group during the Up-front Period represented on average 20% of the contract sum of these projects, it is estimated that we will incur approximately HK\$62.8 million as up-front costs for the Identified Projects in aggregate. In order to ensure our Group is equipped with the financial resources necessary for undertaking these Identified Projects, our executive Directors consider that there is an imminent need for our Group to further strengthen our financial resources to support the financial needs of these projects.

Based on the aforesaid, we believe that the [REDACTED] from the [REDACTED] will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the [REDACTED] for satisfying our up-front costs. We currently plan to apply part of our [REDACTED] from the [REDACTED] towards fulfilling the relevant up-front costs of (i) four of our projects on hand, namely Project O18 to O20 and O22, which have commenced site preparatory and preliminary works as at the Latest Practicable Date, with a substantial part of works under these projects expected to be

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performed in or around the third or fourth quarter of 2022; and (ii) two of our projects on hand, namely Project O14 and O17, that are expected to commence in the third quarter of 2022 (collectively, the “**Designated Projects**”). Where any surplus remains after the up-front costs required by the Designated Projects are satisfied, we intend to apply such surplus towards fulfilling a portion of the relevant up-front costs of three tendered projects, namely Project T01 to T03, of which our executive Directors are positive that we shall be able to secure. For further details of these projects, please refer to the paragraph headed “Future plans and use of [REDACTED] – Use of [REDACTED]” in this document.

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the Hong Kong wet trades industry. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional wet trades works projects on top of our present scale of operation and our current projects on hand. Our success in achieving our principal business objective is largely underpinned by our financial resources available for financing the up-front costs to be incurred from the projects obtained by us. Given a portion of the [REDACTED] from the [REDACTED] has been designated for satisfying the up-front costs of the Identified Projects as well as our projects on hand that are expected to commence in the near future, the cash flow generated from our operations could be applied towards financing any additional projects to be obtained by us, thereby allowing us to tender for additional and more sizeable projects more proactively.

In the event we could not obtain additional external funding, our internal financial resources available will be largely utilised for financing the up-front costs to be incurred from the Identified Projects as well as our projects on hand that are expected to commence in the near future. Being limited by our financial resources available for financing the up-front costs of additional projects, we may refrain from tendering for additional projects or responding to our customers’ tender invitations which does not only hinder our business expansion, but will also likely to be perceived negatively by our customers, thereby adversely affecting our business relationship with them.

(II) Financial requirements for our daily operations

During the Track Record Period, our Group incurred average monthly expenses of approximately HK\$35.8 million, primarily comprising staff cost, subcontracting fees, cost of materials and toolings, machinery rental costs, administrative expenses and other miscellaneous expenses for our daily operations. Taking into consideration the estimated upfront costs for our (i) newly awarded projects (namely Project O14 and O17); (ii) projects which have commenced as at the Latest Practicable Date with a substantial part of works expected to be performed in or around the third or fourth quarter of 2022 (namely Project O18, O19, O20 and O22); and (iii) our tendered projects for which our executive Directors are confident that we will be able to secure (namely Project T01 to T03), it is expected that the average monthly expenses to be incurred by us will further increase in the near future.

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During the Track Record Period, we financed our monthly expenses mainly with net cash generated from operating activities. To a certain extent, Mr. KS Chan, our executive Director and Controlling Shareholder, had also made cash advances to our Group from time to time to strengthen our working capital. As at 31 March 2019, 2020, 2021 and 2022, our Group recorded amount due to Mr. KS Chan of approximately HK\$27.9 million, HK\$23.0 million, HK\$15.3 million and HK\$10.7 million, respectively. All amounts due by our Group to Mr. KS Chan will be settled or capitalised before [REDACTED]. In order to lower our reliance on and strengthen our financial independence from our Controlling Shareholders, our executive Directors consider that it is of vital importance to strengthen our financial resources in order to support the financial needs for our daily operations and business expansion.

The amount of up-front costs incurred by us may vary from project to project. In respect of our top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 20% of the contract sum of the project. In assessing the up-front costs required, we have taken into account the accumulated cash inflow generated from the projects and the accumulated cash outflow for our cost incurred. On this basis, it generally took us an average of seven months to start receiving net positive cash flow from our projects. Given that (i) the cash inflow generated from the projects are generally insufficient to meet the outflow for our cost incurred during the Up-front Period, and (ii) the Up-front Period last for seven months on average, our executive Directors do not consider working capital recycling as a viable option to maintain our current business operation and at the same time support us to continue tendering for additional and sizeable projects when suitable opportunities arise.

In addition, there are often time lags between making payment to our suppliers and receiving payment from our customers during project implementation, resulting in possible cash flow mismatch. Our Group generally incurs costs before or along with the performance of our works as we have to pay our suppliers for procuring the necessary materials and toolings required for performing our wet trades works and our subcontractors for carrying out the wet trade works on site. Meanwhile, our customers generally make progress payments according to our works performed, and such payments are required to be certified by our customers before we issue an invoice to our customers. It generally takes time for our customers to certify our progress payments and for us to issue an invoice. Further, we generally grant our customers a credit term of 14 to 60 days from the issue of invoices. Hence, there may be a timing difference up to several months between the time we incur costs for performing our wet trades works and by the time when we receive payments from our customers for performing such works. In this regard, for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our trade receivables and contract assets turnover days were approximately 73.6 days, 96.3 days, 127.7 days and 124.2 days, which generally represented the timeframe since we performed works and up to the settlement of our invoice for the relevant works. Meanwhile, our trade payables and accruals for subcontractors' labour costs turnover days were 27.5 days, 28.0 days, 32.0 days and 34.2 days, which generally represented the timeframe since we received goods or services from our suppliers and up to our settlement of payment to them. This demonstrates that it generally takes a significantly longer period for us to receive payment from our customers,

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as compared to the time it took us to settle our payments to suppliers. Accordingly, we may experience cash flow mismatch from time to time as our projects progress, which largely depend on (i) the certification process of our customers; (ii) our customers' internal process for approving our invoices; (iii) the credit terms granted to us by our suppliers; and (iv) the number and scale of our projects in progress. The liquidity needs of our projects would therefore impose a constraint on the number and scale of the projects which we could undertake concurrently if we solely rely on our operating cash flow to support our expansion.

Depending on the contract terms, our customers may also hold up a certain percentage of each payment made to us as retention monies. Our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of the main contractor or project owner. The remaining half is generally released upon expiry of the defects liability period of the relevant contracts. In respect of our retention receivables of approximately HK\$57.7 million as at 31 March 2022, approximately HK\$26.8 million, equivalent to approximately 46.4%, will only be recovered after 31 March 2023; whereas approximately HK\$30.9 million, equivalent to approximately 53.6% will be recovered on or before 31 March 2023. Based on our current operation scale and the contract sum of the Identified Projects, the amount of retention receivables to be recovered on or before 31 March 2023 of approximately HK\$30.9 million is not sufficient to maintain our current business operation and at the same time support us to continue tendering for additional and sizeable projects when suitable opportunities arise.

For illustrative purpose only, the following table sets forth our management's estimation of our cash flow position from our business operations from September 2022 to December 2022, without taking into account the [REDACTED] to be received by us from the [REDACTED]:

	Estimated cash inflow/(outflow) HK\$'000
Collection of trade receivables ^(Note)	157,631
Collection of retention receivables	11,146
Settlement of trade payables ^(Note)	(176,528)
Payment for staff costs and administrative expenses	(18,619)
Receipt of other income	5,526
Payment for Hong Kong profits tax	(6,003)
	<hr/>
Net cash inflow/(outflow)	<u>(26,847)</u>

Note: In making the estimation, we have taken into account our projects on hand and those tendered projects that we are positive that we shall be able to secure as at the Latest Practicable Date.

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Based on the above analysis, we cannot solely rely on working capital recycling for financing the operating costs associated with our projects on hand and the tendered projects of which we are positive to secure. In submitting the tender for the Identified Projects, we had taken into account the [REDACTED] to be received from the [REDACTED]. If there is any delay in the [REDACTED] schedule such that we may not be able to receive the estimated [REDACTED] from the [REDACTED] according to the expected timetable, we may resort to financing our operating costs with (a) our unutilised banking facilities and/or applying for additional banking facilities; and/or (b) advances from our Controlling Shareholders, which will inevitably increase our gearing ratio and/or increase our financial reliance on our Controlling Shareholders. Additionally, there is no assurance that we could continue to secure sufficient banking facilities or our Controlling Shareholders could continue to provide us with the advances necessary to support our business operations.

Based on our operation history during the Track Record Period and depending on the scale of the projects, we generally start incurring substantial portion of the up-front costs around three to four months after the commencement of our projects. The average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first received payment from our customers is four months. Notwithstanding our customers might have started settling our trade receivables four months from the time when we first incurred project up-front costs, the amount of trade receivables received may not necessarily be sufficient to cover our operating costs until later stage of a project.

Business opportunities for wet trades works projects arise throughout the year. During the Track Record Period, our Group submitted on average nine tenders per month. There is no assurance that our Group will be equipped with sufficient financial resources when such business opportunities arise. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of billing to or receipts from our customers for our contract assets and trade receivables. The timing for the billing of our contract assets and settlement of our trade receivables by our customers depend on, among others, (i) the project schedule and work progress; (ii) the customer's internal arrangement which may be affected by market conditions; (iii) the scope of work of the project; and (iv) our negotiation with customers which may in turn affect the payment terms of our projects. In the event potential business opportunities of which our executive Directors consider as attractive and profitable arise at a time when our Group is under cashflow constraint, we will have to give up on the potential tender opportunities, resulting in material hindrance to our future business growth.

Further, if we are awarded with a number of sizeable projects which commence within a similar timeframe, our Group will have to incur a substantial amount of up-front costs, resulting in significant cash outflow during the relevant period. Adhering to prudent financial management and for the purpose of ensuring sufficient cash resources to finance the operating costs of these projects, we may (i) temporarily reduce our submission of new tenders; (ii) withdraw our tenders submitted before our customers formally issue letters of award to us; and/or (iii) refuse to revise our tender price during the tender selection process so as to lower the price competitiveness of our tenders, until we receive sufficient cash

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inflows from the existing projects to support the liquidity needs of our new projects. While we may free up certain financial resources by refraining from submitting new tenders, this may be detrimental to our competitiveness in the long run because failure to respond to tender invitations may be perceived negatively by our customers and they could be less inclined to invite us to tender for their projects again in the future.

Further, we recorded net cash used in operating activities of approximately HK\$49.1 million and HK\$18.8 million for FY2018/19 and FY2019/20, respectively. Having considered the net cash flows position for our operating activities during the Track Record Period, our executive Directors consider that it would not be financially prudent for us to carry out further business expansion by solely relying on our own internal resources. Further, it will be difficult for us to pursue more additional and sizeable projects if we solely rely on the net cash generated from our operating activities for financing our business strategies, since our plan will be subject to uncertainties in relation to the timing of generating sufficient net cash from our operation for our potential projects.

Based on the aforesaid, our business operations are capital intensive in nature. In light of the expected increase in our liquidity requirements along with our business expansion, our executive Directors consider that it is financially prudent for us to further strengthen our financial resources in order to ensure a sufficient level of working capital to support our business operations.

(III) Our operating cash flow was not sufficient to support us in pursuing additional and sizeable projects

Although we recorded a net cash generated from operating activities of HK\$58.9 million in FY2020/21, such net operating cash inflow was primarily because of certain ad-hoc factors, such as (i) we recorded a net cash inflow of approximately HK\$8.9 million from the loss-making project (i.e. Project #01) in FY2020/21 because our customer settled our fee during FY2020/21 for the additional rectification works that we performed during FY2019/20; and (ii) we recorded a net cash inflow of approximately HK\$19.6 million from our other income in FY2020/21 primarily consisted of government grants received by our Group. Excluding the impact of these ad-hoc factors, our net cash generated from operating activities for FY2020/21 would be approximately HK\$30.4 million. Part of our working capital was utilised in FY2020/21 as we had repaid approximately HK\$63.0 million of bank borrowings. Our cash flow position would therefore depend on the progress of our ongoing projects and the amounts certified and settled by the relevant customers. We generally experience net cash outflows at the preliminary stage of a project, as we incur up-front costs including subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs.

It has been our plan to further increase our market share in the Hong Kong wet trades works industry and diversify our customer base. In particular, some of our major customers had commenced their business relationships with us during the Track Record Period. Based on our operating experience, the period required for us to collect our payment after our

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performance of works may vary among different customers mainly due to their own certification process and approval procedures for payments as well as the stages of the projects. Hence, there is inherent uncertainty involved in estimating the timing for receipt of payment from customers, resulting in possible cash flow mismatch and increased liquidity risk as shown in the fluctuation of our operating cash flow during the Track Record Period. In particular, when we undertake projects for new customers, it would be less feasible for us to accurately estimate the timing of payment from such customers. Therefore, our executive Directors believe that we should adhere to a prudent cash flow and liquidity management strategy in view of the mismatch in timing between making payment to our suppliers and receiving payment from our customers when undertaking contract works.

In the event that a number of sizeable projects commence within a similar period on top of our existing projects which are in progress, the associated up-front cost requirement may impose significant pressure on our Group's cash flow position. In such circumstances, we may have greater restrictions in pursuing additional and sizeable projects even if suitable tender opportunities arise. By the time we accumulate sufficient cash for us to finance the up-front costs and liquidity needs of such potential projects, the tender opportunities may no longer be available. In view of the aforementioned, our executive Directors consider that it is vital for us to ensure a sufficient level of working capital is readily available at all times to enable us to select and pursue suitable tender opportunities whenever they arise.

Expanding our workforce and enhancing our work environment

During the Track Record Period, we have focused on the role of project management and supervision in carrying out our projects. Our project management team, comprising site agent, quantity surveyor, site foreman and safety supervisor, is mainly responsible for overseeing the overall progress and execution of our projects. Our Group had continuously strengthened our project management capacity along with the increase in number of wet trades works projects undertaken by us during the Track Record Period. Our project supervision staff, consisting of our site agents and site foremen, increased from 21 as at 31 March 2019 to 28 as at 31 March 2022. Along with the expansion in our business scale and operation, our executive Directors consider that it is imperative to expand our workforce in order to enhance our project management capabilities. Taking into consideration all of our project management staff had been deployed to our projects on hand as at the Latest Practicable Date, our executive Directors consider that it is vital for us to further strengthen our project management capacity by recruiting additional project management staff.

We currently plan to hire an additional seven project supervision staff, consisting of site agents and site foremen, after the [REDACTED] to cope with the expected growth in our business. For further details of our recruitment plan, please refer to the paragraph headed "Future plans and use of [REDACTED] – Use of [REDACTED]" in this document. After we carry out the recruitment as mentioned above, we will provide on-the-job

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trainings for the newly recruited employees to equip them with the skills and knowledge relevant to their work tasks. We will also arrange external courses for these new staff in relation to work safety and different trades of works held by third party organisations.

As part of our ongoing efforts to maintain the safety standard of our operations, our executive Directors consider that the recruitment of additional safety supervision staff could enhance our ability to supervise our employees and subcontractors in relation to work safety and ensure that our internal control measures on work safety are strictly implemented across our different work sites. During the Track Record Period and up to the Latest Practicable Date, we recorded 54 accidents involving our employees and/or employees of our subcontractors, including one fatal accident occurred in December 2019. Based on the safety reviews conducted by the Safety Consultant, we consider that these workplace accidents involving our employees and/or our subcontractors' employees were primarily attributable to the workers failing to pay attention to the site environment or the malpractice of the workers in failing to comply with the applicable safety policies, procedures and regulations of our Group. For further information, please refer to the paragraph headed "Occupation health and work safety" below in this section. While we believe that our existing occupational health and safety management measures are proper and adequate, we are committed to continuously improve our safety management measures. The recruitment of additional safety supervision staff by us could facilitate us in ensuring our safety measures are strictly followed by our own employees and/or our subcontractors' employees in order to minimise the occurrence of accidents. Further, in light of the expected growth in the number and scale of projects undertaken by us, it is vital for us to maintain sufficient number of safety supervision staff such that we could closely monitor and supervise the safety levels of our various work sites. As at the Latest Practicable Date, we had a total of six safety supervision staff to supervise and oversee the implementation of site safety measures and monitor our occupational health and safety compliance. After the [REDACTED], we intend to hire an additional of three safety supervision staff.

As at the Latest Practicable Date, our existing office premises were fully occupied given that no vacant seats are available for any additional staff. We currently plan to expand our manpower under our business expansion plan by recruiting an additional of 14 staff in total, including three site agents, two quantity surveyors, three safety supervision staff, four site foremen and two finance and administration staff. Out of the 14 additional staff to be recruited by us, two of them are finance and administration staff who will be stationed in our office on a full-time basis. In respect of the 12 additional project management staff (comprising site agents, quantity surveyors, safety supervision staff and site foremen), while they will be deployed from time to time to carry out site visits, they will also have to handle various tasks at our office premises, including preparation of tender document, formulation of detailed budgets, work schedules and work allocation plan, procurement of materials, preparation of progress report and attending internal and external meetings. As such, we have to ensure available office space for these 14 additional staff. Given that our existing office premises will not be able to accommodate all the additional staff to be hired, our executive Directors consider that we have a genuine need to lease an additional office with gross floor area of approximately 2,000 sq. ft. in proximity to the

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location of our existing office premises for providing sufficient workspace for our staff. It is expected that the rent for the additional office would be approximately HK\$50,000 per month after considering the rent for similar property within the proximity of our headquarters.

Acquiring additional machinery and motor vehicles

We generally deploy our self-owned machinery for the use of our subcontractors in carrying out their works in our projects. Taking into consideration the needs for machinery and equipment arising from our business strategy in undertaking additional and more sizeable wet trades works projects, our executive Directors consider that it is crucial for our Group to further enhance our fleet of machinery in order to facilitate our subcontractors in carrying out their works in our projects. We currently intend to apply part of our [REDACTED] from the [REDACTED] to acquire two forklifts, 11 plaster spray machines and approximately 400 sets of parts and components for plaster spray machines. Our executive Directors believe that a larger fleet of machinery will allow us to (i) improve our overall work efficiency and technical capability; and (ii) enhance our flexibility to deploy our resources more efficiently.

The availability of our machinery is conducive to our ability to ensure the timely delivery of works to our customers. According to the Industry Report, it is increasingly common to replace manual operation with the use of plaster spray machines for wet trades projects involving plastering works so as to increase the productivity of workers and further enhance the quality of craftsmanship. The use of plaster spray machines enables workers to complete a larger coverage of plastering works as compared to relying on traditional manual works over the same duration of time. We were committed to continually expand our fleet of machinery to accommodate our growing machinery needs arising from the significant growth in our business operations during the Track Record Period. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we purchased machinery in the amount of approximately HK\$0.4 million, HK\$0.3 million, HK\$0.7 million and HK\$0.8 million at costs, respectively. In particular, the number of plaster spray machines owned by us increased from 24 as at 31 March 2019 to 39 as at 31 March 2022. Our executive Directors believe that it is vital for us to continually invest in additional machinery in order to maximise the productivity of our subcontractors and workers and keep enhancing the quality of craftsmanship.

As we plan to increase the usage of plaster spray machines in our operations, our executive Directors believe that it is crucial for us to keep in place sufficient parts and components, which are consumables in nature, to support the functioning of the plaster spray machines. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we consumed approximately 550 sets, 650 sets, 750 sets and 1,050 sets of parts and components in support of our plaster spray machines, for which we incurred approximately HK\$0.4 million, HK\$0.4 million, HK\$0.4 million and HK\$0.8 million, respectively. As we intend to increase the usage of plaster spray machines for wet trades projects involving plastering

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works, we expect that we would have genuine need to enlarge our procurement of parts and components in light of the anticipated growth in their consumption in the future.

Besides, as the age of our machinery increases, they generally depreciate in value, operational efficiency and cost-effectiveness. As at 31 March 2022, we owned 39 sets of plaster spray machines and three sets of forklifts. Based on the straight-line depreciation method adopting an expected useful life of three years for our machinery under our accounting policy, as at 31 March 2022, the majority (i.e. 29 sets) of our plaster spray machines and one set of our forklifts were fully depreciated or will be fully depreciated within one year. By replacing the aged machinery, our Group will benefit from the higher operational efficiency and lower maintenance cost of new machinery. It is crucial for our Group to constantly review the conditions of our machinery and determine if any machinery replacement or upgrade is required for maintaining our competitiveness.

As at the Latest Practicable Date, our Group owned three motor vehicles for the transportation of our project management staff. During the Track Record Period, our project management staff had from time to time visited project sites to monitor the progress and oversee the quality and standard of the works undertaken. In light of our planned expansion in manpower as well as the projected increase in number of site visits required for our additional projects, our executive Directors currently intend to apply part of our [REDACTED] from the [REDACTED] to acquire two additional motor vehicles to increase our flexibility and efficiency in the deployment and transportation of our project management staff to different work sites.

Acquiring equipment and tools to further strengthen our occupational safety

We are committed to promoting safety practice during the implementation of our projects. We require our employees and our subcontractors' employees to strictly follow our safety rules as set out in the safety plan. We also provide suitable personal protective equipment such as full-body harness, safety helmet and safety boots to our employees and our subcontractors' employees based on the type of works undertaken by them.

The Construction Sites (Safety) Regulations prescribe that on a construction site where workers are at the risk of falling from a height of two meters or more, the contractor shall take adequate steps to ensure the safety of these workers, including the provision of suitable and adequate quantities of planks and toe-boards to be served as working platforms. During the Track Record Period, some of our major customers, such as Customer Group A and Customer Group D, had taken up the responsibility for providing adequate quantities of planks and toe-boards. Meanwhile, we were required under the contracts with some of our major customers, including Sanfield and Customer Group G, to arrange adequate quantities of planks and toe-boards on our own account for the use in their projects. We consider that our procurement of planks and toe-boards could place us in a better position in fulfilling the requirements under the contracts with our customers.

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Besides, as part of our ongoing efforts in safeguarding workers' safety, our executive Directors believe that our plan to strengthen the safety measures through the arrangement of providing suitable and adequate quantities of planks and toe-boards to be served as working platforms could provide better assurance to our staff as well as our subcontractors in performing works at height, which, in turn, would reflect positively on our reputation on safety practice and attract quality subcontractors and workers to work with us in the future. In view of the abovementioned and our continuous emphasis on workers' safety, we currently intend to apply part of our [REDACTED] from the [REDACTED] to acquire 20,000 sets of planks and toe-boards.

Enhancing our information technology capability and project implementation efficiency

We intend to enhance our information technology capability and increase our efficiency in project implementation. In this regard, we plan to apply part of our [REDACTED] from the [REDACTED] for procuring an enterprise resources planning ("ERP") system which streamlines the process of materials purchasing and subcontractor payroll management. Our executive Directors believe that the new ERP system could perform the following functions:

- (i) facilitates the ordering process by allowing our project management team to send purchase requests online via web application which is accessible by mobile device;
- (ii) facilitates the approval process of purchase orders by allowing web-based payment approval by our site agent and/or executive Directors;
- (iii) facilitates the processing of purchase orders by generating purchase orders automatically from purchase requests;
- (iv) reduces errors and duplication of purchase orders by storing all purchase requests in a central database;
- (v) facilitates the management of purchase orders by matching ordered materials to the relevant project and allowing our staff to retrieve and trace any purchase orders placed on a real time basis; and
- (vi) enhances documentation and automates manual procedures such as record of works performed by subcontractors and online storage of progress payment applications submitted by subcontractors.

Implementation of business strategies

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed "Future plans and use of [REDACTED]" in this document.

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DESCRIPTION OF OUR SERVICES

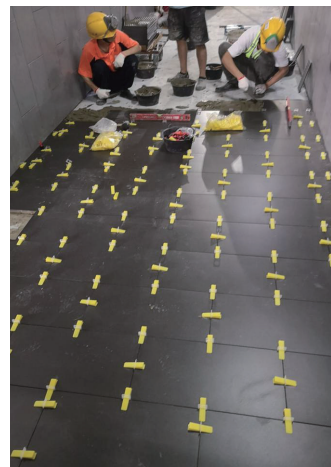
We provide wet trades works services as a subcontractor in Hong Kong. We have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety supervision and quality control; and (v) developing detailed work schedule and work allocation plan. The wet trades works undertaken by us typically involve various trades of works, details of which are set out as follows:

- Plastering works which generally refer to applying plaster evenly on the surfaces of floors, walls and ceilings manually or with the use of our plaster spray machine.
- Tile laying works which generally refer to cutting and laying tiles on the surface of floors and walls.
- Brick laying works which generally refer to laying brick blocks in uniform layers.
- Floor screeding works which generally refer to applying a well-blended mixture of cement with graded aggregates and water to a floor base.
- Marble works which generally refer to cutting and laying marble tiles on the surfaces of floors, window sills and walls.

The following images illustrate the processes involved in our various types of wet trades works:



Plastering works



Tile laying works

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Brick laying works



Floor screeding works



Marble works

Relationship between our customers and our subcontractors

Our executive Directors consider that as a wet trades works subcontractor, we play an indispensable role of performing various types of wet trades works including plastering, tile laying, brick laying, floor screeding and marble works. Our executive Directors believe that main contractors tend to award contracts to us instead of directly engaging our subcontractors to perform the wet trades works due to the following reasons:

- We are able to assume a project management and supervision role for our customers to ensure smooth and timely execution of wet trades works with strict quality control. During the Track Record Period, we have focused on the role of project management and supervision in carrying out our projects, and we have engaged various subcontractors to perform substantial part of the site works under our supervision. We focus on (i) quality inspection and project supervision throughout project implementation in accordance with our quality management system and the specifications required by the main contractors; and (ii) the overall planning and management of work schedules in relation to the site workers, materials, machinery

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and other resources required at the works sites to ensure smooth and timely completion of the works required. We assist our customers and evaluate subcontractors taking into account their quality of services, qualifications, skills and technique, delivery time and reputation. Our site agent, who headed the project management team, will oversee the progress and quality of services rendered and liaise and communicate with our customers regularly. Our project management team would also prepare monthly progress reports, if required by our customer, to report on the project status and any issue identified throughout the project to keep our customer updated;

- We generally offer longer credit terms to our customers than those offered by our subcontractors. During the Track Record Period, our suppliers generally grant us a credit term of seven to 30 days while the credit term granted by us to our customers is generally 14 to 60 days. Besides, for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our trade receivables and contract assets turnover days were approximately 73.6 days, 96.3 days, 127.7 days and 124.2 days, while our trade payables and accruals for subcontractors' labour costs turnover days were approximately 27.5 days, 28.0 days, 32.0 days and 34.2 days, respectively. We are able to offer more favourable payment terms to our customers while our subcontractors may not have the financial resources to provide similar payment terms;
- Wet trades subcontractors normally experience net cash outflows as project up-front costs at the preliminary stage of a project. According to the Industry Report, the amount of up-front costs is generally within the range of 10% to 25% of the contract sum and may vary depending on the size and the duration of the project. Based on our operation history during the Track Record Period, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months. In view of the operating scale of our subcontractors, they may not have the capability as we do to maintain a sufficient level of working capital to cover the up-front cost requirements of large-scale projects.
- We understand our customers' needs and have a proven track record as a reliable wet trades subcontractors. Our management team has extensive industry knowledge and project experience in the wet trades works industry in Hong Kong. Mr. KS Chan, the chairman of our Board, chief executive officer of our Group, executive Director and one of our founders, has over 30 years of experience in the wet trades works industry. Mr. WP Chan, an executive Director and one of our founders, has over 20 years of experience in the wet trades works industry. Our Group has a team of experienced project management staff whose members possess in-depth knowledge of the industry. With an operating history of over 15 years, we have developed extensive knowledge, experience and understanding of our customers' needs concerning project management which may not be readily replicated by our subcontractors; and

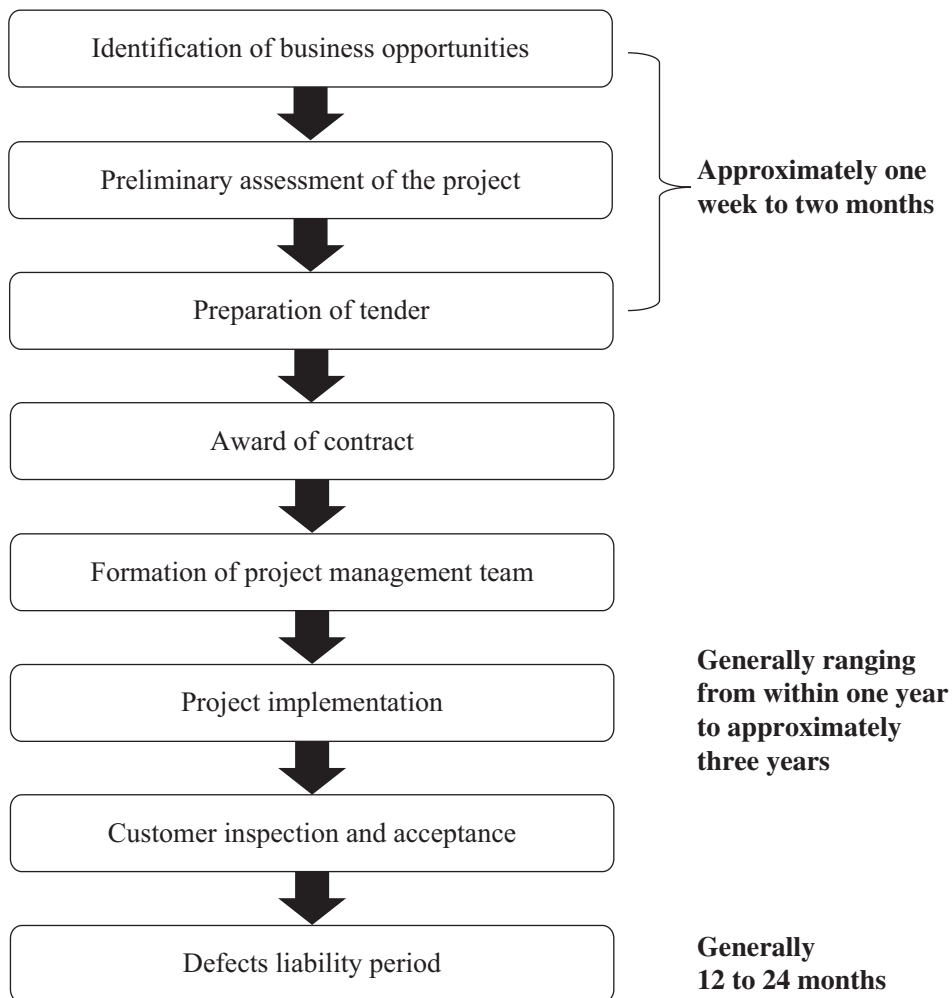
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- We are a registered specialist trade contractor under the Registered Specialist Trade Contractors Scheme. According to the Construction Industry Council, there were only 32 registered specialist trade contractors in the designated trade category of plastering (Group 2) under the Registered Specialist Trade Contractors Scheme as at 7 May 2022. Our executive Directors believe that our registration give confidence to our customer to entrust us to supervise our subcontractors to deliver quality service and meet their technical specifications.

BUSINESS OPERATIONS

Operation flow

Set out below is a flowchart summarising the principal steps of our business operations:



Note: The timeframe is calculated on an approximate basis and may vary from project to project depending on the complexity of the project, the requirements of our customers and/or our agreement with our customers on the timeframe for the principal steps.

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Identification of business opportunities

We identify potential projects mainly through invitation for tender from customers. Our Group received from time to time invitations to submit tender from construction contractors in Hong Kong. Please refer to the paragraph headed "Sales and marketing" below in this section for further details.

Preliminary assessment of the project

The tender documents and project details provided by our customers generally contain project description, scope of services required, expected commencement date, contract period, payment term and timeframe for submitting the tender.

In general, we would review and evaluate the tender documents and/or project details available to us to assess the scope of services, our capability, the expected complexity, our available financial and human resources and feasibility of the project to determine whether we should proceed with the preparation of tender.

Preparation of tender

Our quantity surveyors and executive Directors are primarily responsible for the preparation of tender submission. We may conduct site visit to the place at which the project is to be undertaken so as to have a better assessment of the complexity of the works involved.

Our tender submission generally includes priced bill of quantities or schedule of rates. The tender submission will be approved and endorsed by our executive Directors before submission to our customers.

We estimate the costs to be incurred in the project based on our past experience and the recent price trends for the subcontracting services and the types of materials and toolings required in the project. We may also obtain non-binding quotations from our subcontractors and/or materials and toolings suppliers in making our cost estimation. For further information on our pricing strategy, please refer to the paragraph headed "Pricing strategy" below in this section.

Our customers may arrange interviews with us after receiving our tender submission in order to have a better understanding of our personnel, expertise and experience. We may be required to answer queries in relation to our tender submission. Our customers may also negotiate on the options of our scope of service or propose amendment to our specifications.

Award of contract

Our customers generally confirm our engagement by issuing a letter of award or entering into a formal contract with us. During the Track Record Period, our contracts with customers are generally on re-measurement basis. Depending on our negotiations with customers, some of our

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customers may also engage us based on a lump sum price or a combination of lump sum price items and re-measurement items. In respect of re-measurement items, the contract will specify an estimated contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to our customer’s instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done. In respect of lump sum price items, we are generally required to carry out the specified works required by our customers of fixed quantity at an agreed lump sum price.

In addition, the contracts generally set forth the payment terms, project duration and other standard terms of services. For further details, please refer to the paragraph headed “Our customers – Principal terms of engagement” below in this section.

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 and up to the Latest Practicable Date:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	From 1 April 2022 to the Latest Practicable Date
Number of projects for which we have submitted tenders	86	88	135	111	22
Number of projects awarded ^(Note)	12	19	17	20	1
Success rate (%) ^(Note)	14.0	21.6	12.6	18.0	4.5

Note: 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 or subsequently) in respect of the tenders submitted during that financial year/period.

During the Track Record Period, our Group had from time to time received invitations for tenders when our available resources were occupied by other projects on hand. Nonetheless, on occasion, in order to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future, it was our strategy to respond to our customers’ invitations by submitting tenders instead of turning them down. In such circumstances, our Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our tender price to become less competitive than those submitted by our competitors. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may experience fluctuations in our overall tender success rates from period to period.

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In view of our financial performance during the Track Record Period and our projects on hand as at the Latest Practicable Date, our Directors consider that the overall success rate of our tenders during the Track Record Period had been satisfactory.

Formation of project management team

We usually form a project management team which consists of site agent, quantity surveyor, site foreman and safety supervisor. Our project management team is generally responsible for (i) formulation of detailed plans and schedule; (ii) engaging, supervising and collaborating with our subcontractors; (iii) supervision of work progress, budget and quality of services rendered; (iv) preparation of progress report; and (v) participation in project meetings and communication with our customers on a continual basis; and (vi) ensuring the works performed fulfil our customers' requirements, and are completed on schedule, within budget and in compliance with all applicable statutory requirements. In general, we determine the manpower allocation to a project management based on the timeline, scales and complexity of the projects as well as the existing workload of our staff.

Set out below are the major responsibilities of each key member in a project management team:

- our site agent is responsible for supervising our overall workforce on multiple sites, monitoring work efficiency and performance of our subcontractors, communicating with our customers, subcontractors and other members of the project management team on the project status, allocation of resources in a project, and reviewing the progress reports, safety reports and site records;
- our quantity surveyor is responsible for performing cost estimation, determining, procuring and monitoring the quantity of materials and toolings required in the project, managing the project implementation costs and handling the payment applications to our customers;
- our site foreman is responsible for assisting our site agent to supervise and monitor work progress on site, supervising workmanship and quality and preparing site records setting out the works performed by our workers and subcontractors. In general, each site foreman is assigned and stationed at a particular project; and
- our safety supervisor is responsible for supervising and overseeing the implementation of site safety measures and monitoring day-to-day occupational health and safety compliance.

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Project implementation

We may experience net cash outflows as project up-front costs at the preliminary stage of a project. The up-front costs of our projects generally include project startup costs at the initial stage of a project comprising subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs.

During the Track Record Period, we have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Our project management team holds regular meetings with our subcontractors and conducts regular inspection to ensure that we strictly adhere to the project schedule and specifications.

Depending on our customers' requests, we are generally required to submit monthly progress reports to our customers throughout the project implementation. Our monthly progress reports are prepared by the project management team which will report on the project status and any issue identified throughout the project. After the review and endorsement by our site agents, the monthly progress reports will then be submitted to our customers for record.

We perform in-house quality inspection and project supervision throughout project implementation in accordance with our in-house quality management systems. For further information regarding our quality management systems, please refer to the paragraph headed "Quality control" below in this section.

We generally receive progress payments on a monthly basis from our customers based on our works done throughout project implementation. For further details on the payment terms, please refer to the paragraph headed "Our customers – Principal terms of engagement" in this section.

Customer inspection and acceptance

Upon completion of our works, our customers will conduct inspection and examination on our works done to ensure they comply with their quality standards, requirements and specifications. Upon passing the inspection, we will generally receive a completion certificate from our customer.

Defects liability period

Our contracts generally include a defects liability period of 12 to 24 months, following the completion of the relevant site works. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation.

BUSINESS

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by project sectors and the types of developments involved

We were mainly engaged in private sector projects in Hong Kong. To a lesser extent, we were also engaged in public sector projects in Hong Kong. Public sector projects refer to projects of which the project owners are Government departments and statutory bodies, while private sector projects refer to projects that are not public sector projects.

Our private sector projects mainly involved private residential developments and commercial developments. The project owners of our private sector projects were generally property developers, and our customers were generally main contractors engaged under such projects. Our public sector projects mainly involved public residential developments as well as infrastructure and public facilities developments. The customers of our public sector projects were generally main contractors engaged by Government departments and statutory bodies.

Set forth below are descriptions of the developments for which we performed wet trades works during the Track Record Period:

Residential: mainly included residential developments initiated by some of the leading private property developers in Hong Kong. To a lesser extent, we were also involved in public housing development initiated by the Housing Authority. The duration of these projects may range from within one year to approximately three years.

Commercial: mainly included commercial developments such as hotel and office building. The duration of these projects may range from within one year to approximately two years.

Infrastructure and public facilities: mainly included infrastructure and public facilities developments such as hospital and university buildings and facilities. The duration of these projects may range from within one year to approximately three years.

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During the Track Record Period, the majority of our revenue was derived from wet trades works for residential developments. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to project sectors and the types of development involved:

	No. of projects	FY2018/19			Gross profit margin %	No. of projects	FY2019/20			Gross profit margin %
		Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000			Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000	
Private sector										
– Residential	23	355,719	79.4	18,735	5.3	25	425,654	82.9	36,707	8.6
– Commercial	5	3,141	0.7	221	7.0	5	933	0.2	65	7.0
Sub-total	28	358,860	80.1	18,956	5.3	30	426,587	83.1	36,772	8.6
Public sector										
– Residential	8	43,121	9.6	4,436	10.3	9	42,932	8.4	4,269	9.9
– Infrastructure and public facilities	4	45,939	10.3	8,119	17.7	8	43,635	8.5	4,960	11.4
Sub-total	12	89,060	19.9	12,555	14.1	17	86,567	16.9	9,229	10.7
Total	40	447,920	100.0	31,511	7.0	47	513,154	100.0	46,001	9.0
	No. of projects	FY2020/21			Gross profit margin %	No. of projects	FY2021/22			Gross profit margin %
		Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000			Revenue HK\$'000	% of total revenue %	Gross profit HK\$'000	
Private sector										
– Residential	31	253,783	57.6	23,771	9.4	28	285,993	62.7	32,918	11.5
– Commercial	6	102,329	23.3	17,536	17.1	11	90,066	19.7	10,914	12.1
Sub-total	37	356,112	80.9	41,307	11.6	39	376,059	82.4	43,832	11.7
Public sector										
– Residential	4	56,531	12.8	7,428	13.1	5	1,934	0.4	527	27.2
– Infrastructure and public facilities	10	27,726	6.3	5,187	18.7	13	78,439	17.2	13,329	17.0
Sub-total	14	84,257	19.1	12,615	15.0	18	80,373	17.6	13,856	17.2
Total	51	440,369	100.0	53,922	12.2	57	456,432	100.0	57,688	12.6

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Our Group’s revenue for private commercial projects increased from approximately HK\$0.9 million for FY2019/20 to approximately HK\$102.3 million for FY2020/21. The increase in revenue was mainly attributable to the substantial amount of wet trades works we had performed for Project #07, which contributed approximately HK\$72.8 million in revenue for FY2020/21 (FY2019/20: approximately HK\$49,000). For further details, please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Top projects undertaken during the Track Record Period” in this document.

Our Group’s revenue decreased from approximately HK\$513.2 million for FY2019/20 to approximately HK\$440.4 million for FY2020/21. The decrease in revenue was mainly driven by (i) the decrease in the overall market opportunities in the wet trades works industry in Hong Kong which was mainly attributable to the temporary impact of the outbreak of COVID-19 in 2020; (ii) Project #03 and Project #06 contributed a relatively lower revenue for FY2020/21, as compared to FY2019/20; and (iii) some projects had been substantially completed in FY2019/20 while new projects with large contract sum were awarded or commenced works after the third quarter of 2020 onwards. For further details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations – FY2020/21 compared with FY2019/20” in this document.

Our Group’s revenue increased to approximately HK\$456.4 million for FY2021/22. The increase in revenue was mainly driven by the increase in the amount of works performed by our Group in some of our ongoing sizeable projects, including Project #16, a private residential project in Wong Chuk Hang, which contributed approximately HK\$61.4 million to our revenue during FY2021/22 (FY2020/21: approximately HK\$6.9 million).

Number of projects by range of revenue recognised

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, there were 40, 47, 51 and 57 projects which contributed a total of approximately HK\$447.9 million, HK\$513.2 million, HK\$440.4 million and HK\$456.4 million to our revenue, respectively. Set out below is a breakdown of our projects based on their respective range of revenue recognised during the Track Record Period:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised				
HK\$50.0 million or above	2	3	2	1
HK\$10.0 million to below HK\$50.0 million	8	12	9	11
HK\$1.0 million to below HK\$10.0 million	17	5	20	15
Below HK\$1.0 million	13	27	20	30
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Total	40	47	51	57
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Top projects undertaken during the Track Record Period

The following table sets out the details of our projects undertaken with accumulated revenue contribution to us of HK\$40.0 million or above during the Track Record Period:

Project No.	Rank	Customer (Note 1)	Contract sum (Note 2) HK\$'000	Project sector	Type of developments	Location of the project	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year)				Gross profit margin during the Track Record Period		Estimated revenue to be recognised during FY2023 onwards (Note 4) HK\$'000
								FY2018/19 HK\$'000	FY2019/20 HK\$'000	FY2020/21 HK\$'000	FY2021/22 HK\$'000	Record Period %	%	
#01	1	Sanfield	141,578	Private	Residential	Tai Po	Commencement: March 2018 Completion: April 2021	27.3	18,644	3.6	-	78	N/A	-
#07	2	Customer Group G	110,000	Private	Commercial	Hong Kong International Airport	Commencement: March 2020 Completion: March 2023	-	49	Negligible	16.5	33,742	14.3	3,413
#02	3	Customer Group A	100,778	Private	Residential	Long Ping	Commencement: April 2018 Completion: July 2021	14.3	30,859	6.0	5,317	610	1.3 (Note 5)	-
#04	4	Customer Group A	100,230	Private	Residential	Lohas Park	Commencement: June 2019 Completion: August 2022	-	31,804	6.2	58,109	9,827	16.8	490
#03	5	Customer Group A	92,250	Private	Residential	Tai Po	Commencement: July 2019 Completion: May 2022	-	8,024	15.8	11,162	39	Negligible	25
#05	6	Customer Group A	81,252	Private	Residential	Tuen Mun	Commencement: December 2018 Completion: August 2022	2,967	50,981	9.9	22,737	4,423	9.5	144
#06	7	Sanfield	74,500	Private	Residential	Tuen Mun	Commencement: June 2018 Completion: July 2020	18,050	52,556	10.2	3,894	-	0.6 (Note 6)	-
#14	8	Customer Group A	75,000	Private	Residential	Wong Chuk Hang	Commencement: February 2020 Completion: April 2023	-	16	Negligible	8.8	33,572	8.7	2,505
#08	9	Customer Group A	70,168	Public	Infrastructure and public facilities	Ma Liu Shui	Commencement: August 2018 Completion: July 2021	23,288	42,165	8.2	4,080	635	12.9	-
#09	10	Customer Group D	69,842	Public	Residential	Fanling	Commencement: July 2019 Completion: December 2021	-	20,186	3.9	48,445	1,211	15.5	-
#16	11	Customer Group A	75,000	Private	Residential	Wong Chuk Hang	Commencement: February 2021 Completion: March 2023	-	-	-	6,934	61,358	13.8	6,708

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Project No.	Rank	Customer (Note 1)	Contract sum (Note 2) sector HKS'000	Type of developments	Location of the project	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year)				Gross profit margin during the Track Record		Estimated revenue to be recognised during FY2022/23 HKS'000	Estimated revenue to be recognised during FY2023/24 onwards HKS'000
							FY2018/19 HKS'000	FY2019/20 HKS'000	FY2020/21 HKS'000	FY2021/22 HKS'000	%	%		
#10	12	Customer Group A	64,504	Residential	Lobas Park	Commencement: July 2018 Completion: December 2021	17,860	35,502	7,528	3,614	1.7	0.8	5.8	-
#11	13	Customer C	51,189	Residential	Tai Po	Commencement: June 2018 Completion: August 2022	29,915	19,219	468	1,522	0.1	0.3	6.8	-
#12	14	Customer F	48,705	Residential	Yuen Long	Commencement: November 2018 Completion: March 2021	6,669	35,717	6,399	-	1.5	-	7.7	-
#17	15	Customer C	51,000	Residential	Kai Tak	Commencement: December 2020 Completion: September 2022	-	-	4,043	44,344	0.9	9.7	14.8	2,613
#15	16	Customer Group H	48,600	Residential	Tuen Mun	Commencement: November 2020 Completion: August 2022	-	-	18,836	29,319	4.3	6.4	14.0	445
#18	17	Customer Group A	72,466	Infrastructure	Yan Ma Tei	Commencement: September 2020 Completion: March 2023	-	-	7,232	40,341	1.6	8.8	13.7	24,893
#19	18	Customer Group A	50,000	Residential	Cheung Sha Wan	Commencement: January 2021 Completion: September 2022	-	-	3,014	39,881	0.7	8.7	13.8	7,105
#13	19	Customer I	42,500	Residential	Tai Po	Commencement: September 2019 Completion: March 2022	-	13,006	28,652	842	2.5	6.5	3.8	-

Notes:

1. Please refer to the paragraph headed “Our customers – Top customers” in this section.
2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
3. The expected completion date for a particular project is provided based on our management’s best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
4. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.

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5. We recorded a relatively lower gross profit margin of approximately 1.3% for Project #02 during the Track Record Period which was mainly attributable to the additional subcontracting fees incurred by us for fulfilling the project schedule of Project #02 following a change of material for performing such project as requested by Customer Group A. Based on our negotiation with Customer Group A, we were required to complete a substantial part of tile laying works under Project #02, which had commenced in April 2018, during FY2018/19. In respect of Project #02, Customer Group A was responsible for the provision of tile-related materials to our Group for performing the tile laying works. After we had commenced performing the tile laying works for Project #02, there was a change of material for performing such works after our discussion with Customer Group A, resulting in a shorter period of time for us in completing the works. Our Group had therefore engaged additional subcontracting services in FY2018/19 for completing the tile laying works under Project #02 according to the original project schedule. Taking into consideration our established long-term business relationship with and the business opportunities arising from Customer Group A, we had endeavoured to accommodate its demand without charging them any additional fees for catering to such change. As a result, we recorded a relatively lower gross profit margin for Project #02. For further details, please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations – FY2019/20 compared with FY2018/19" in this document.
6. We recorded a relatively lower gross profit margin of approximately 0.6% for Project #06 during the Track Record Period which was mainly attributable to similar reasons for our loss making project (i.e. Project #01) that was also awarded to us by Sanfield. Project #06 was awarded and undertaken within a similar timeframe as Project #01. During the project implementation of Project #06, we realised that the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we had to perform additional rectification works, which were unexpected during the tender stage of Project #06.

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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:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	From 1 April 2022 to the Latest Practicable Date
Opening number of projects ^(Note 1)	32	35	34	30	39
Add: Number of new projects awarded to us ^(Note 2)	13	18	18	19	2
Initial contract sum of the awarded project					
– HK\$50.0 million or above	6	3	5	5	–
– HK\$10.0 million to below HK\$50.0 million	4	2	7	7	–
– HK\$1.0 million to below HK\$10.0 million	1	2	5	3	1
– Below HK\$1.0 million	2	11 ^(Note 5)	1	4	1
Less: Number of projects completed ^(Note 3)	(10)	(19)	(22)	(10)	–
Ending number of projects ^(Note 4)	<u>35</u>	<u>34</u>	<u>30</u>	<u>39</u>	<u>41</u>

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
3. Number of projects completed means the number of projects which are practically regarded as completed.
4. 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.

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5. The number of awarded projects with initial contract sum below HK\$1.0 million was relatively higher for FY2019/20 because we were invited by Customer Group A and a number of new customers to tender for a total of 14 relatively smaller-scale projects with tender sum below HK\$1.0 million, among which we were awarded with five projects from Customer Group A and four projects from three new customers in FY2019/20. As our tendering strategy, we are open to undertaking projects of varying scale. Depending on our service capacity, we will pursue smaller-scale projects once we estimate that we could derive a reasonable amount of profit and attain our expected level of profitability for such projects. Accordingly, as we received tender invitations from Customer Group A and certain new customers in respect of the aforesaid relatively smaller-scale projects, our management had considered the above factors and decided that it was in our interest to pursue such projects.

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:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	From 1 April 2022 to the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog as at the beginning of the relevant year/period	283,768	476,091	373,857	548,142	758,063
Add: Total value of contract works awarded during the relevant year/ period ^(Note 1 and 2)	640,243	410,920	614,654	666,353	31,151
Less: Total revenue recognised during the relevant year/period	<u>(447,920)</u>	<u>(513,154)</u>	<u>(440,369)</u>	<u>(456,432)</u>	<u>(109,203)</u>
Ending value of backlog to be carried forward to next year/period ^(Note 3)	<u>476,091</u>	<u>373,857</u>	<u>548,142</u>	<u>758,063</u>	<u>680,011</u>

Notes:

- Total value of contract works awarded means (i) the original estimated contract sum of new projects awarded, or where applicable, the adjusted contract sum taking into account the amount of actual work orders on re-measurement basis; and (ii) the value of variation orders issued by our customers in the relevant year/period indicated.
- For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the average contract value of newly awarded projects was approximately HK\$45.1 million, HK\$19.4 million, HK\$33.5 million and HK\$33.8 million, respectively. The average contract value of newly awarded projects was relatively higher for FY2018/19 because we were awarded with six projects each with initial contract sum exceeding HK\$50.0 million in FY2018/19, including Project #02, #05, #06, #08, #09 and #10. The average contract value of newly

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awarded projects was relatively lower for FY2019/20 because the number of projects awarded to us with initial contract sum of HK\$50.0 million or above decreased from six in FY2018/19 to three in FY2019/20. The average contract value of newly awarded projects was relatively higher for FY2020/21 because we were awarded with five projects each with initial contract sum exceeding HK\$50.0 million in FY2020/21, including Project O01, #14, #16, #18 and #19. The average contract value of newly awarded projects was relatively higher for FY2021/22 because we were awarded with five projects each with initial contract sum exceeding HK\$50.0 million in FY2021/22, including Project O15, O18 to O20 and O22.

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the average size of projects was approximately HK\$43.2 million, HK\$39.8 million, HK\$34.0 million and HK\$41.0 million, respectively. The average size of projects for FY2020/21 was relatively lower because we undertook 18 projects with contract sum of HK\$10.0 million or less, while we only undertook 10, 11 and 14 projects with contract sum of HK\$10.0 million or less for FY2018/19, FY2019/20 and FY2021/22, respectively.

3. 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.

Loss-making project during the Track Record Period

During the Track Record Period, we recorded one loss-making project which involved wet trades works undertaken by us for a residential development in Tai Po, Hong Kong (i.e. Project #01). Project #01, which was awarded in 2018, represented our first project obtained from Sanfield. Project #01 commenced in March 2018 and has been completed in April 2021. The adjusted contract sum of Project #01 was approximately HK\$141.6 million.

We determine the tender price of Project #01 based on a pricing strategy which is similar to that for our existing customers. For further details, please refer to the paragraph headed "Pricing strategy" below in this section. However, during the project implementation of Project #01, we realised that the workmanship specifications of Sanfield are different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we have performed additional rectification works, which were unexpected during the tender stage of Project #01. As we had not foreseen that Project #01 would involve substantial amount of rectification works, the additional costs incurred by us for such rectification works had resulted in cost overrun for Project #01. In this regard, we recorded net loss of approximately HK\$6.9 million from Project #01 during the Track Record Period.

Our executive Directors consider that Project #01 does not have any material impact on our business operations because (i) our Group recorded net current assets of approximately HK\$38.4 million, HK\$63.0 million, HK\$109.4 million and HK\$140.3 million as at 31 March 2019, 2020, 2021 and 2022, respectively; (ii) our rectification works for Project #01 did not result in any material project delay and we were not subject to any penalty or liquidated damages claim by Sanfield; (iii) save as Project #01, we did not experience any loss-making projects as a result of inaccurate cost estimation during the Track Record Period and up to the Latest Practicable Date; (iv) we did not experience any cancellation of work orders from Sanfield for Project #01 or other project awarded by Sanfield; (v) for FY2020/21 and FY2021/22, our Group had received 15 and 13 tender invitations from Sanfield, respectively; and (vi) we have subsequently implemented enhanced internal control measures in order to prevent the recurrence of project cost overrun. For further information on our cost control measures, please refer to the paragraph headed "Pricing strategy" in this section.

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PROJECTS ON HAND

As at the Latest Practicable Date, our Group had 41 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced). The following table sets out the details of our on-going projects as at the Latest Practicable Date:

Project No.	Location of the project	Customer	Project sector	Type of development	Contract sum (Note 1) HK\$'000	Date of commencement and completion of our works (Note 2)	Revenue recognised during the Track Record Period			Gross profit margin during the Track Record Period		Estimated revenue to be recognised during (Note 4)	
							FY2018/19 HK\$'000	FY2019/20 HK\$'000	FY2020/21 HK\$'000	FY2021/22 HK\$'000	%	FY2022/23 HK\$'000	FY2023/24 onwards HK\$'000
018	Lobas Park	Customer C	Private	Residential	111,047	Commencement: March 2022 Completion: June 2024	-	-	-	135	13.0	37,751	73,161
022	Wong Chuk Hang	Customer Group A	Private	Residential	104,973	Commencement: March 2022 Completion: December 2023	-	-	-	911	14.0	40,430	63,632
019	Shek Kip Mei	Customer Group G	Private	Residential	92,846	Commencement: March 2022 Completion: March 2024	-	-	-	43	15.0	30,341	62,462
001	Hong Kong International Airport	Customer Group G	Private	Commercial	105,953	Commencement: September 2021 Completion: July 2024	-	-	-	25,083	9.0	49,766	31,104
020	Kwai Chung	Customer Group D	Public	Infrastructure and public facilities	73,479	Commencement: March 2022 Completion: March 2024	-	-	-	53	10.0	27,904	45,522
015	Kai Tak	Customer Group G	Public	Infrastructure and public facilities	74,349	Commencement: October 2021 Completion: February 2023	-	-	-	23,306	25.0	50,843	-
017	Kowloon Tong	Customer C	Private	Residential	45,089	Commencement: Third quarter of 2022 Completion: Third quarter of 2023	-	-	-	-	N/A	25,287	19,802
005	West Kowloon	Customer C	Public	Infrastructure and public facilities	44,893	Commencement: March 2021 Completion: July 2023	-	-	21	3,986	14.0	33,658	7,228
016	Kai Tak	Customer Group D	Public	Infrastructure and public facilities	27,212	Commencement: March 2022 Completion: June 2024	-	-	-	844	14.0	6,025	20,343
013	Hong Kong International Airport	Customer C	Public	Infrastructure and public facilities	32,821	Commencement: September 2021 Completion: May 2023	-	-	-	6,866	10.0	25,576	379
#18	Yau Ma Tei	Customer Group A	Public	Infrastructure and public facilities	72,466	Commencement: September 2020 Completion: March 2023	-	-	7,232	40,341	13.7	24,893	-
014	Hong Kong International Airport	Customer C	Public	Infrastructure and public facilities	16,569	Commencement: Third quarter of 2022 Completion: Third quarter of 2023	-	-	-	-	N/A	11,046	5,523
021	Kai Tak	A construction contractor	Public	Infrastructure and public facilities	16,374	Commencement: March 2022 Completion: June 2022	-	-	-	33	15.0	15,059	1,282

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Project No.	Location of the project	Customer	Project sector	Type of development	Contract sum ^(Note 1) HK\$'000	Date of commencement and completion of our works ^(Note 2)	Revenue recognised during the Track Record Period				Gross profit margin during the Track Record Period %	Estimated revenue to be recognised during ^(Note 4) FY2022/23 HK\$'000	FY2023/24 onwards HK\$'000
							FY2018/19 HK\$'000	FY2019/20 HK\$'000	FY2020/21 HK\$'000	FY2021/22 HK\$'000			
012	Mongkok	A construction contractor	Private	Residential	18,880	Commencement: September 2021 Completion: March 2023	-	-	-	5,893	13.0	12,987	-
#19	Cheung Sha Wan	Customer Group A	Private	Residential	50,000	Commencement: January 2021 Completion: September 2022	-	-	3,014	39,881	13.8	7,105	-
#16	Wong Chuk Hang	Customer Group A	Private	Residential	75,000	Commencement: February 2021 Completion: March 2023	-	-	6,934	61,358	13.8	6,708	-
#17	Kai Tak	Customer C	Private	Residential	51,000	Commencement: December 2020 Completion: September 2022	-	-	4,043	44,344	14.8	2,613	-
#14	Wong Chuk Hang	Customer Group A	Private	Residential	75,000	Commencement: February 2020 Completion: April 2023	-	16	38,884	33,572	8.7	2,505	23
010	Wong Chuk Hang	A construction contractor	Private	Residential	20,810	Commencement: August 2020 Completion: November 2022	-	-	5,590	14,294	14.3	926	-
#15	Tuen Mun	Customer Group H	Private	Residential	48,600	Commencement: November 2020 Completion: August 2022	-	-	18,836	29,319	14.0	445	-
#07	Hong Kong International Airport	Customer Group G	Private	Commercial	110,000	Commencement: March 2020 Completion: March 2023	-	49	72,796	33,742	14.3	3,413	-
011	Mongkok	Customer C	Private	Residential	19,900	Commencement: February 2020 Completion: August 2022	-	821	4,714	14,193	8.0	172	-
009	Tsuen Wan	A construction contractor	Private	Commercial	26,539	Commencement: March 2021 Completion: June 2022	-	-	2,869	23,534	17.7	136	-
Other projects ^(Note 4)							41,243	220,525	130,443	40,540		39,056	4,108
Total:							41,243	221,411	295,376	442,471		454,645	334,569

Notes:

- The contract sum shown in the above table represents the adjusted contract sum, taken into account actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
- The expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
- The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.
- Other projects represent our remaining 18 on-going projects as at the Latest Practicable Date.

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OUR CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers mainly included construction contractors in Hong Kong. The number of customers with revenue contribution to our Group was 13, 14, 14 and 17 for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. Our Group had two, three and five new customers for FY2019/20, FY2020/21 and FY2021/22, respectively. During the Track Record Period, all of our customers were located in Hong Kong and our revenue was denominated in Hong Kong dollars.

Principal terms of engagement

We undertake wet trades works on a project-by-project basis. Our executive Directors consider such arrangement is in line with the wet trades industry practice in Hong Kong. Our customers generally confirm our engagement by issuing a letter of award or entering into a formal contract with us. The principal terms of our engagement with customers are summarised as follows:

Scope of works

The contracts normally set out the scope of services to be carried out by our Group and other project specifications or requirements. Our customers generally require us to complete our works within a specified period and in accordance with their specified work schedule.

Duration

The contract usually specifies the commencement date and duration of the project implementation, typically ranging from three months to three years, subject to extension granted by the customers where necessary.

Contract sum

During the Track Record Period, our contracts with customers are generally on re-measurement basis. Depending on our negotiations with customers, some of our customers may also engage us based on a lump sum price or a combination of lump sum price items and re-measurement items. In respect of re-measurement items, the contract will specify an estimated contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to our customer's instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done. In respect of lump sum price items, we are generally required to carry out the specified works required by our customers of fixed quantity at an agreed lump sum price.

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Payment terms

Our Group generally submits a progress payment application to our customer on a monthly basis with reference to the amount of works completed. Upon receiving our payment application for progress payments, our customer will examine and certify our works done by issuing a payment certificate to us. The credit term granted by us to our customers is generally 14 to 60 days from the issue of invoices. Certain customers, such as Customer C, adopt a "pay when paid" policy with us and they have the rights to pay us after collection of payments from their customer.

Insurance

The main contractors would normally take out contractors' all risk insurance, third party liability insurance and work injury compensation insurance covering their own liabilities as well as our liabilities.

Procurement of materials and tooling

Depending on the contract terms agreed with our customers, materials and toolings may be (i) procured by us at our cost; (ii) provided by our customers at their cost; or (iii) procured by our customers for our use and such costs will be subsequently deducted in the relevant payment certificates issued to us. We typically purchase materials and toolings from our internal list of approved suppliers. In the circumstances where our customers procure certain tooling such as personal protective equipment and provide to us for our use at our cost, we would regard such customer as our supplier of the relevant toolings, further details of which are discussed in the paragraph headed "Top customers who were also our suppliers" below in this section.

Defects liability period

Our contracts generally include a defects liability period of 12 to 24 months, following the completion of the relevant site works. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation.

Retention monies

Depending on the contract terms, our customers may hold up a certain percentage of each payment made to us as retention monies. Our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of the main contractor or project owner. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts.

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As at 31 March 2019, 2020, 2021 and 2022, our retention receivables amounted to approximately HK\$43.9 million, HK\$46.2 million, HK\$50.0 million and HK\$57.7 million, respectively. Please refer to the paragraph headed “Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities” in this document for a further discussion and analysis regarding our retention receivables.

Variation orders

A variation order may vary the original scope of work. Our customers may request additional or alteration of works beyond the scope of the contract during project implementation. Our customers generally place variation orders with us on the occasions where: (i) they requested us to perform works on additional portions or areas that are not specified in the original scope of our contract. This may arise when our customers intend to engage us to carry out follow-up works on those parts of works originally assigned to their other subcontractors; or (ii) they made alteration to the layouts and drawings for the relevant sites, resulting in additional or alteration of works beyond the original scope of our contract. This may arise when our customers considered adjustments to be necessary based on the actual site conditions during the project implementation stage.

Where the works under the variation order are the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with that of the contract. If there are no equivalent or similar items under the contract for reference, we will further agree on the rates with our customers. A variation order is usually placed by way of a purchase order by our customer describing the detailed works to be performed under such variation order.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to revenue derived from the original contract value and variation orders of our projects:

	FY2018/19			FY2019/20			FY2020/21			FY2021/22						
	No. of projects	Gross		No. of projects	Gross		No. of projects	Gross		No. of projects	Gross					
		Revenue	profit margin		Revenue	profit/loss		profit margin	Revenue		profit margin	Revenue	profit margin			
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%				
Original contract value	37	405,009	26,640	6.6 ^(Note)	45	439,609	46,447	10.6	47	362,459	44,159	12.2	44	383,601	48,345	12.6
Variation orders	25	42,911	4,871	11.4	26	73,545	(446) ^(Note)	N/A	34	77,910	9,763	12.5	33	72,831	9,343	12.8
Total		447,920	31,511	7.0		513,154	46,001	9.0		440,369	53,922	12.2		456,432	57,688	12.6

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Note: Our gross profit margin derived from original contract value for FY2018/19 was relatively low mainly due to the loss-making project (i.e. Project #01). For FY2018/19, we recognised a substantial amount of revenue of approximately HK\$116.4 million from works performed under the original contract value of Project #01, and our gross profit margin attributable to such works was approximately 1.0%. Excluding the impact of Project #01, our gross profit margin attributable to works performed under the original contract value of our projects for FY2018/19 would be approximately 9.0%.

We recorded a gross loss from variation orders for FY2019/20 mainly due to Project #01. For FY2019/20, we recognised revenue of approximately HK\$13.3 million from works performed under the variation orders of Project #01, and we recorded a gross loss of approximately HK\$5.8 million from such works. Excluding the impact of Project #01, our gross profit margin attributable to works performed under the variation orders for FY2019/20 would be approximately 9.0%.

For further details of Project #01, please refer to the paragraph headed "Loss-making project during the Track Record Period" below in this section.

Performance guarantee

We were generally not required to provide performance guarantee in favour of our customers. Meanwhile, in one of our projects undertaken during the Track Record Period, we were required by the customer to provide performance guarantee by placing a deposit directly to the customer in the amount equivalent to 20% of the original contract sum (i.e. HK\$0.4 million). 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 guarantee. The performance guarantee was fully discharged upon project completion.

Liquidated damages

Liquidated damages clause may be included in the contracts to protect our customers against late completion of work. We may be liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in or in accordance with the contract. Liquidated damages are generally calculated on the basis of a fixed sum per day. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us.

Termination

Our customers may terminate our contracts if, among other things, we fail to execute the agreed scope of works, or if we cause undue delay to the overall progress of the project. During the Track Record Period and up to the Latest Practicable Date, none of our contracts were terminated pursuant to the termination clause.

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Top customers

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the percentage of our total revenue attributable to our top customer amounted to approximately 35.4%, 56.3%, 37.9% and 42.9% respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 90.5%, 91.6%, 79.8% and 89.5%, respectively.

FY2018/19

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer Group A ^(Note 1)	Since 2007	30 days; by cheque	158,628 ^(Note 1)	35.4
2	Sanfield ^(Note 2)	Since 2018	17–30 days; by cheque	140,438	31.3
3	Customer C ^(Note 3)	Since 2017	Within 14 days upon receipt of payments by our customer from its customer; by bank transfer	45,649	10.2
4	Customer Group D ^(Note 4)	Since 2007	28 days; by cheque	40,587	9.1
5	Customer E ^(Note 5)	Since 2011	60 days; by cheque	20,038	4.5
			Top five customers combined	405,340	90.5
			All other customers	42,580	9.5
			Total revenue	447,920	100.0

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FY2019/20

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer Group A ^(Note 1)	Since 2007	30 days; by cheque	289,055	56.3
2	Sanfield ^(Note 2)	Since 2018	17–30 days; by cheque	71,199	13.9
3	Customer F ^(Note 6)	Since 2018	35 days; by cheque	58,470	11.4
4	Customer Group D ^(Note 4)	Since 2007	28 days; by cheque	26,514	5.2
5	Customer C ^(Note 3)	Since 2017	Within 14 days upon receipt of payments by our customer from its customer; by bank transfer	24,612	4.8
Top five customers combined				469,850	91.6
All other customers				43,304	8.4
Total revenue				<u>513,154</u>	<u>100.0</u>

FY2020/21

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer Group A ^(Note 1)	Since 2007	30 days; by cheque	166,892	37.9
2	Customer Group G ^(Note 7)	Since 2016	21–30 days; by cheque	72,796	16.5
3	Customer Group D ^(Note 4)	Since 2007	28 days; by cheque	50,064	11.4
4	Customer Group H ^(Note 8)	Since 2019	30 days; by cheque	32,927	7.5
5	Customer I ^(Note 9)	Since 2019	30 days; by cheque	28,746	6.5
Top five customers combined				351,425	79.8
All other customers				88,944	20.2
Total revenue				<u>440,369</u>	<u>100.0</u>

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FY2021/22

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer Group A ^(Note 1)	Since 2007	30 days; by cheque	195,718	42.9
2	Customer Group G ^(Note 7)	Since 2016	21–30 days; by cheque	84,588	18.5
3	Customer C ^(Note 3)	Since 2017	Within 14 days upon receipt of payments by our customer from its customer; by bank transfer	70,820	15.5
4	Customer Group H ^(Note 8)	Since 2019	30 days; by cheque	31,490	6.9
5	First Group ^(Note 10)	Since 2020	30 days; by cheque	25,954	5.7
		Top five customers combined		408,570	89.5
		All other customers		47,862	10.5
		Total revenue		456,432	100.0

Notes:

- Customer Group A includes subsidiaries of a company listed in Hong Kong (the “**Customer Group A Holdco**”) which is principally engaged in construction works in Hong Kong, Macau and the PRC. Based on the latest annual report of Customer Group A Holdco, its revenue amounted to over HK\$70 billion for the year ended 31 December 2021. According to the Industry Report, Customer Group A is one of the largest construction contractors in Hong Kong in terms of annual turnover in 2021 and has undertaken various types of construction developments for a number of private property developers in Hong Kong. Customer Group A comprises a joint venture in Hong Kong set up by Customer Group A and Customer Group D to engage in design and construction of a hospital in Kai Tak. According to public records, Customer Group A and Customer Group D holds 60% and 40% interest in the joint venture, respectively. The joint venture contributed revenue of approximately HK\$15.0 million, HK\$14,000, nil and nil to our Group in FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The end customers of Customer Group A include leading property developers in Hong Kong, Government departments and statutory bodies (such as the Civil Engineering and Development Department and the Hospital Authority) and universities. Customer Group A became our major customer in 2007 when we were awarded with a wet trades works project for a private residential development in Tsuen Wan, with an initial contract sum of approximately HK\$11.6 million. During the Track Record Period, we procured wet trades works projects from Customer Group A through tender invitations.
- Sanfield is a construction contractor company in Hong Kong, being a subsidiary of Sun Hung Kai Properties Limited (“**Sun Hung Kai**”) which is listed on the Main Board of the Stock Exchange (stock code: 0016). Sun Hung Kai is principally engaged in property development in Hong Kong and the PRC. Sun Hung Kai is one of the top five leading private property developers in Hong Kong according to the Industry Report (in terms of number of property completion in Hong Kong in 2021). Based on the latest annual report of Sun Hung Kai, its revenue amounted to over HK\$80 billion for the year ended 30 June 2021. The end customer of Sanfield is a leading property developer in Hong Kong. Mr. KS Chan became acquainted with Sanfield in 2016 through an industry event organised by The Association of Plastering Sub-Contractors Limited of which Mr. KS Chan acts as the president. Our Group subsequently became an approved subcontractor of Sanfield and Sanfield became our

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major customer in 2018 when we were awarded with Project #01. For further details, please refer to the paragraph headed “Top projects undertaken during the Track Record Period” above in this section. During the Track Record Period, we procured wet trades works projects from Sanfield through tender invitations.

3. Customer C is a subsidiary of a Hong Kong company (the “**Customer C Holdco**”) which is principally engaged in construction works in Hong Kong, the PRC and Southeast Asia. According to public records, Customer C Holdco is a private company incorporated in 1958 in Hong Kong and is ultimately owned by a company listed on the London Stock Exchange and a company listed on the Singapore Stock Exchange in equal shares. Customer C Holdco has an annual turnover of over HK\$19 billion and employs over 7,000 staff. The end customers of Customer C include leading property developers in Hong Kong and Government departments and statutory bodies (such as the West Kowloon Cultural District Authority). Our Group became acquainted with Customer C through a building and construction trade fair held around ten years ago. Along with the expansion in our Group’s business scale and service capacity, our Group began to approach Customer C for potential business opportunities in view of Customer C’s market position in the Hong Kong construction industry. Customer C became our major customer in 2017 when we were awarded with a wet trades works project for a private residential development in Tsuen Wan with an initial contract sum of approximately HK\$35.6 million. During the Track Record Period, we procured wet trades works projects from Customer C through tender invitations.
4. Customer Group D consists of subsidiaries of a company listed in Hong Kong (the “**Customer Group D Holdco**”) which is principally engaged in construction and property business in Hong Kong, Macau and the PRC. Based on the latest annual report of Customer Group D Holdco, its revenue amounted to over HK\$5 billion for the year ended 31 December 2021. The end customers of Customer Group D include Government departments and statutory bodies (such as the Housing Authority). Customer Group D became our major customer in 2007 when we were awarded with a wet trades works project for a public residential development in Yau Tong, with an initial contract sum of approximately HK\$12.9 million. During the Track Record Period, we procured wet trades works projects from Customer Group D through tender invitations.
5. Customer E is a subsidiary of a company listed in Hong Kong (the “**Customer E Holdco**”) which is principally engaged in construction works in Hong Kong, Macau and the PRC. According to the latest annual report of Customer E Holdco, its principal business activities include engaging in construction works in Hong Kong, Macau and the PRC. Based on the latest annual report of Customer E Holdco, its revenue amounted to over HK\$6 billion for the year ended 31 December 2021. The end customers of Customer E include property developers in Hong Kong and Government departments and statutory bodies (such as the Hospital Authority). Our Group became acquainted with Customer E through the introduction by a senior management member of Customer Group A around 10 years ago. Customer E became our major customer in 2011 when we were awarded with a wet trades works project for a private residential development in Fanling, with an initial contract sum of approximately HK\$17.5 million. During the Track Record Period, we procured wet trades works projects from Customer E through tender invitations.
6. Customer F is a construction contractor company in Hong Kong, being a subsidiary of a company listed in Hong Kong (the “**Customer F Holdco**”) which is principally engaged in construction works in Hong Kong. Based on the latest annual report of Customer F Holdco, its revenue amounted to over HK\$10 billion for the year ended 31 December 2021. The end customers of Customer F include property developers in Hong Kong. Our Group became acquainted with Customer F through a building and construction trade fair held in 2017. Customer F became our major customer in 2018 when we were awarded with a wet trades works project for a private residential development in Sham Shui Po, with an initial contract sum of approximately HK\$44.4 million. During the Track Record Period, we procured wet trades works projects from Customer F through tender invitations.
7. Customer Group G consists of construction contractor companies in Hong Kong, being subsidiaries of a company listed in Hong Kong (the “**Customer Group G Holdco**”) which is principally engaged in property development in Hong Kong and the PRC. Based on the latest annual report of Customer Group G Holdco, its revenue amounted to over HK\$60 billion for the year ended 30 June 2021. The end customers of Customer Group G include leading property developers in Hong Kong and Government departments and statutory bodies (such as the Housing Authority). Mr. KS Chan became acquainted with Customer Group G in 2016 through his business network developed while acting as the president of The Association of Plastering Sub-Contractors Limited and was subsequently invited to participate in corporate events held by Customer Group G. Customer Group G became our major customer in 2020 when we were awarded with Project #07. For further details, please refer to the paragraph headed “Top projects undertaken during the Track Record Period” above in this section. During the Track Record Period, we procured wet trades works projects from Customer Group G through tender invitations.

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8. Customer Group H consists of subsidiaries of a holding company (“**Customer Group H Holdco**”). According to public records, Customer Group H Holdco’s principal business activities include providing engineering and property services in Hong Kong, PRC, Macau, Singapore and Malaysia and its revenue amounted to over HK\$12 billion for the year ended 31 March 2021. The end customers of Customer Group H include property developers in Hong Kong and Government departments and statutory bodies (such as the Housing Authority). Our Group became acquainted with Customer Group H through a building and construction trade fair held in 2016. Since then, our Group had from time to time received tender invitations from Customer Group H. Customer Group H became our major customer in 2019 when we were awarded with a wet trades works project for a public residential development in Kowloon Bay, with an initial contract sum of approximately HK\$22.2 million. During the Track Record Period, we procured wet trades works projects from Customer Group H through tender invitations.
9. Customer I is a subsidiary of a company listed in Hong Kong (the “**Customer I Holdco**”) which is principally engaged in building construction works. Based on the latest announcement of annual results of Customer I Holdco, its revenue amounted to over HK\$1 billion for the year ended 31 March 2022. The end customers of Customer I include leading property developers in Hong Kong. Mr. KS Chan became acquainted with Customer I in 2015 through his business network developed while acting as the president of The Association of Plastering Sub-Contractors Limited and was subsequently invited to participate in corporate events held by Customer I. Along with the expansion in our Group’s business scale and service capacity, our Group began to approach Customer I for potential business opportunities in view of Customer I’s market position in the Hong Kong construction industry. Customer I became our major customer in 2019 when we were awarded with Project #13. For further details, please refer to the paragraph headed “Top projects undertaken during the Track Record Period” above in this section. During the Track Record Period, we procured wet trades works projects from Customer I through tender invitations.
10. First Group is principally engaged in property development in Hong Kong. Based on the latest annual return of First Group available at the Companies Registry, its share capital is HK\$2 in aggregate. The end customer of First Group is a property developer specialising in industrial and commercial property development in Hong Kong. Our Group became acquainted with First Group in a corporate event held by First Group in 2017. Along with the expansion in our Group’s business scale and service capacity, our Group began to approach First Group for potential business opportunities. First Group became our major customer in 2020 when we were awarded with a wet trades works project for a private commercial development in Tsuen Wan, with an initial contract sum of approximately HK\$15.8 million. During the Track Record Period, we procured wet trades works projects from First Group through tender invitations.

Save for holding an insignificant amount of shares in the holding company of Customer E (“**Customer E Holdco**”), a company listed on the Stock Exchange, for passive investment purpose from time to time by Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan, none of our Directors, their close associates or any Shareholder who owned more than 5% of the number of the issued shares of our Company as at the Latest Practicable Date had any interest in any of our top five customers during the Track Record Period. The number of shares held by Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan in Customer E Holdco since their respective initial investments up to the Latest Practicable Date represented nil to approximately 0.05%, approximately 0.03% to 0.05% and 0.005% of the total issued shares of Customer E Holdco, respectively. Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan have invested in the shares of Customer E Holdco because they were positive about the outlook of the construction industry in Hong Kong, Macau and the PRC and they were confident in the future development and growth potential of Customer E Holdco, hence they considered that investment in Customer E Holdco provided a good opportunity for financial returns.

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Our Directors confirmed that, to their best knowledge after making reasonable enquiries: (i) the investments in Customer E Holdco by Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan are not inter-conditional or inter-connected with the award of projects to our Group by Customer E; and (ii) save for the transactions conducted in the ordinary course of business and the insignificant investment in Customer E Holdco as set forth above, there is no past or present relationship (employment, family, trust, financing or otherwise) between each of our top five customers and our Company or our subsidiaries, their respective controlling shareholders or beneficial owners, directors or senior management, or any of their respective associates.

Customer concentration

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the percentage of our total revenue attributable to our top customer amounted to approximately 35.4%, 56.3%, 37.9% and 42.9%, respectively. The percentage of our total revenue attributable to our top five customers combined amounted to approximately 90.5%, 91.6%, 79.8% and 89.5%, respectively for the same periods. Our Directors consider that our Group's business model is sustainable despite such customer concentration due to the following factors:

- We have established business relationship with Customer Group A since 2007. During our long-term business relationship with Customer Group A, we have endeavored to accommodate their demand for our services to the extent our resources allow, resulting in them being our top customer. During the Track Record Period, we undertook a total of 30 projects from Customer Group A which contributed revenue of approximately HK\$158.6 million, HK\$289.1 million, HK\$166.9 million and HK\$195.7 million to us in FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our gross profit margin with Customer Group A was approximately 9.0%, 13.3% and 10.0% and 12.6%, which is generally within the range of our gross profit margin with other customers (excluding the loss-making project (i.e. Project #01)), being approximately 9.6%, 7.6%, 13.6% and 13.4%, respectively. For FY2018/19, FY2019/20 and FY2020/21, our tender success rate with Customer Group A was approximately 19.2%, 25.8% and 17.4%, which was generally higher than the tender success rate with other customers, being approximately 11.7%, 19.3% and 9.8%, respectively. We believe that Customer Group A regards us as their preferred business partner and the long-standing relationships with us is attributable to their confidence in our ability to consistently deliver quality service and meet their technical specifications over the years of business cooperation. Therefore, our executive Directors believe that the likelihood that the relationship between us and Customer Group A will materially adversely change or terminate is low;
- According to the Industry Report, Customer Group A is one of the largest construction contractors in Hong Kong in terms of annual turnover in 2021 and undertake various types of construction developments for a number of property developers in Hong Kong. Based on the latest annual report of the holding company of Customer Group A, its revenue amounted to over HK\$70 billion for the year ended 31 December 2021. The projects that we undertook for Customer Group A during the Track Record Period

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were originated from at least ten property developers, four Government departments and statutory bodies and two universities in Hong Kong. In light of the market share of Customer Group A in the Hong Kong construction industry, our executive Directors believe that Customer Group A will continue to have stable demands for quality wet trades works, and our proven track record with Customer Group A would enable us to capture the business opportunities available from Customer Group A. As at the Latest Practicable Date, our Group had four submitted tenders with Customer Group A, with an aggregate estimated tender amount of more than HK\$85 million, which were still undergoing tender selection process and pending tender result;

- According to the Industry Report, customer concentration is an industry norm in the wet trades works industry in Hong Kong. Customers generally prefer to engage wet trades works contractors with industry reputation, comprehensive services offering, technical expertise, proven track record and sound financial capability. There were only 32 registered specialist trade contractors in the designated trade category of plastering (Group 2) under the Registered Specialist Trade Contractors Scheme as at 7 May 2022. According to the Industry Report, customers are generally inclined to engage wet trades works contractors with larger operating scale for sizeable projects. In particular, a sizeable wet trades works project would normally have a contract sum of HK\$50 million or above. To ensure such large-scale wet trades works could be completed on time and within budget, the main contractors would prefer to engage the established market players in the wet trades works industry who possess the requisite expertise, experience and resources to handle such projects reliably. According to the Industry Report, the top five wet trades works subcontractors in Hong Kong had an estimated revenue ranging from approximately HK\$117.5 million to HK\$456.4 million in the year of 2021. As such, where a wet trades works contractor obtains any sizeable projects with contract sum of HK\$50 million or above, such projects would likely contribute a significant portion of its revenue in the forthcoming years and hence this may result in customer concentration for such wet trades works subcontractor in the relevant periods;
- We have made consistent effort in expanding and diversifying our customer base. During the Track Record Period, we have started conducting businesses with more than ten sizeable construction contractors in Hong Kong (including but not limited to Sanfield, Customer F, Customer Group H, Customer I and First Group) and obtained a number of large scale projects from some of them. For example, we obtained two sizeable private residential projects, namely Project #12 and #13, with adjusted contract sum of approximately HK\$48.8 million and HK\$42.5 million, from Customer F and Customer I, respectively. For further details of these major customers, please refer to the paragraph "Top customers" above in this section. Our executive Directors consider that our ability to expand our customer base demonstrates that our know-how and expertise in wet trades works are commonly applicable to the projects from different customers;

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- Our tendering strategy focuses on building up a balanced customer portfolio which consists of (i) customers which have established relationships with us; (ii) customers which commenced business relationships with us in recent years; and (iii) new potential customers from which we received tender invitations from time to time. In particular, our Group places emphasis on accommodating the service demand from our long-term customers, such as Customer Group A, to the extent our resources allow. Our executive Directors consider that our long-term track record with Customer Group A were accumulated from years of co-operations in various scale and types of projects, which could not be easily replicated by our competitors. As such, we are well-positioned to pursue sizeable projects from Customer Group A. Further, given Customer Group A's market position as one of the largest construction contractors in Hong Kong in 2021, we could secure a stable source of tender opportunities as long as we could maintain to be one of its key subcontractors. Meanwhile, leveraging our track record and industry experience, we have made consistent effort in expanding and diversifying our customer base in recent years. In particular, five of our top customers, including Sanfield, Customer F, Customer Group H, Customer I and First Group, had commenced business relationships with us during the Track Record Period. Going forward, while we would reserve sufficient service capacity to cater to long-term customers, such as Customer Group A, we will also strive to respond to tender invitations from different construction contractors. Our executive Directors believe this balanced approach will facilitate the business development of our Group, given that it could (i) mitigate our risk associated with customer concentration; (ii) build up our track record and industry reputation among a larger customer base; (iii) enable us to acquire better understanding of the project requirements and quality standards of different construction contractors; and (iv) gain more opportunities to participate in different landmark developments in Hong Kong, such as the two projects obtained by us in 2020 in relation to the commercial development at Hong Kong International Airport.
- Some of our major customers during the Track Record Period are reputable construction contractors which are subsidiaries of major property developer groups in Hong Kong. For example, each of the holding companies of Sanfield and Customer Group G is one of the top five leading private property developers in Hong Kong according to the Industry Report (in terms of number of property completion in Hong Kong in 2021). According to the Industry Report, property developers in Hong Kong are usually inclined to award their projects to their group members engaged in the provision of construction works, which in turn will further delegate their tasks to different subcontractors. Our executive Directors considered that our working relationship with these customers has enhanced our business exposure to construction developments initiated by their parent groups;

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- We experienced a strong demand for our wet trades works services from customers during the Track Record Period as evidenced by a large number of tender submission that we made upon customers' invitations. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we had submitted tenders for a total of 86, 88, 135 and 111 projects, respectively;
- Our executive Directors believe that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other because our major customers could benefit from our proven track record as a quality subcontractor in the provision of wet trades works to ensure their projects are executed on time, within budget and in accordance with their quality standards. Our provision of quality wet trades works also enabled our major customers to fulfil their responsibilities under the contractual relationships with their customers. The extensive experience of our project management and supervision staff have also enabled us to assist our customers in project management and site supervision, and build reliable relationship and trust among our customers, their respective customers and us; and
- We have established a stable customer base including construction contractors which require wet trades works services. Our management would discuss with our major customers to understand their forthcoming project plans and endeavor to allocate resources, as far as allowed, and accommodate their demands for our services. Hence, we have been able to capture business opportunities from our major customers when they arise.

Top customers who were also our suppliers

When we undertake projects for our customers, there may be occasions where our customers supply certain toolings and services to us under the same projects and subsequently deduct such amounts in the relevant payment certificates issued to us. Such procurement from our customers mainly included purchase of toolings such as personal protective equipment, and arrangement of machinery rental and cleaning services.

According to the Industry Report, it is common in the wet trades works industry for the main contractors to provide the requisite toolings such as personal protective equipment to its subcontractors and assist them in site cleaning. The main contractors would subsequently deduct such amounts in the relevant payment certificates issued to the subcontractors. Based on the Industry Report, main contractors adopted the aforesaid arrangements mainly for the purpose of (i) better ensuring the personal protective equipment procured and used in the projects fulfil their specifications and standards; and (ii) centralising the onsite cleaning for different parts of the works under the construction developments.

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For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we incurred approximately HK\$3.1 million, HK\$4.5 million, HK\$1.7 million and HK\$3.8 million, respectively, for the procurement of toolings and arrangement of machinery rental and site cleaning services from our customers. The average gross profit margin for those projects which involved the aforesaid procurement from customers was approximately 13.3%, 10.2%, 12.0% and 10.2% for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively.

The following table sets forth the details of our transactions with customer who supplied toolings and services to us with procurement amounts representing over 0.5% of our cost of services for any financial year during the Track Record Period:

	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Customer Group A								
Revenue derived and approximate % of our total revenue	158,628	35.4	289,055	56.3	166,892	37.9	195,718	42.9
Procurement amounts and approximate % of our cost of services	1,931	0.5	2,326	0.5	182	Negligible	1,346	0.3

PRICING STRATEGY

Our pricing is generally determined based on certain mark-up over our estimated costs. We estimate our costs to be incurred in a project to determine our tender price and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. Please refer to the paragraph headed "Risk factors – Any material inaccurate cost estimation or cost overruns may adversely affect our financial results" in this document for further details of the associated risks in this regard.

In order to minimise the risk of inaccurate estimate and cost overrun, the pricing of our services is overseen by our management team, whose background and experience are disclosed in the section headed "Directors and senior management" in this document, based on our pricing strategy described in the following paragraphs.

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 for the types of subcontracting services as well as materials and toolings required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the availability of our labour and financial resources.

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We prepare our tender price based on a certain percentage of mark-up over our estimated cost. The percentage of mark-up may vary substantially from project to project due to factors such as (i) the size, duration and sector of the project; (ii) years of business relationship with the customer; (iii) credit history and financial track record of the customer; (iv) the prospect of obtaining future contracts from the customer; (v) any possible positive effect of our Group's reputation in the wet trades industry; (vi) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components; and (vii) the prevailing market condition.

In order to prevent the recurrence of cost overrun in light of Project #01 as mentioned in the paragraph headed "Loss-making project during the Track Record Period" above in this section, we have adopted the following enhanced measures to minimise the potential risk of cost overruns:

- our project management team shall prepare a profit and cashflow forecast, inclusive of a cost budget, for each project prior to its commencement. The profit and cashflow forecast shall be submitted to our finance and administration department and executive Directors for approval. Our projects shall be implemented according to the respective cost budget;
- actual expenses incurred and cashflow status of each project is monitored by our project management team on an ongoing basis. Our project management team is responsible for documenting cash inflow from customers and cash outflow to suppliers and subcontractors and preparing cashflow statements for each project and submitting the cashflow statements to our finance and administration department on a monthly basis;
- our finance and administration department, led by our financial controller, is responsible for reviewing the cashflow statements and performing analysis on any difference between the actual and forecast cashflow for each project and submitting the cashflow statements to our Group's management for review;
- revisions to project cost budget, which requires approval from our executive Directors, may be made to control the cost target of projects. Any revisions to project cost budget shall (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the project. Revisions to cost budget may be made due to rectification works, changes in work scope, material changes in economic conditions or occurrence of force majeure event;
- in respect of new customer, our project management team shall conduct thorough assessment on the workmanship specification of such customer in order to minimise the occurrence of unexpected rectification works from the customer;

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- in preparing project tender for new customers, our quantity surveyors and executive Directors shall consider if additional profit margin is to be factored in the tender price so as to cover any potential increase in cost to be incurred by us as a result of any unexpected rectification works requested by such customers;
- in the event that there is significant net cash outflow of a project which indicates delay in payment certification or loss-making project, our finance and administration staff will actively follow up with the relevant customer for payment or plan for financing;
- our finance and administration staff is responsible for performing review of subsequent settlement of trade receivables, trade payables and contract assets on a monthly basis;
- after our customers acknowledge our monthly payment applications, our finance and administration staff will closely communicate with the customers on the status of the certification process. Our executive Directors will ensure that any customers' feedbacks on our Group's payment applications are promptly addressed; and
- material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions, including active communications and conducting follow up calls with the customers.

SALES AND MARKETING

During the Track Record Period, we secured new business mainly through competitive tendering by receiving invitations for tender from customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the wet trades industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

Seasonality

Our Directors believe that the wet trades industry in Hong Kong does not exhibit any significant seasonality as wet trades works projects take place throughout the year in Hong Kong based on the experience of our Directors.

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OUR SUPPLIERS

Characteristics of 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 toolings; and (iii) suppliers of other miscellaneous services such as machinery rental and repair and maintenance services. During the Track Record Period, our suppliers were located in Hong Kong and our purchases were denominated in Hong Kong dollars. Our suppliers generally grant us a credit term of seven to 30 days.

The following table sets forth a breakdown of our total purchase during the Track Record Period by type of goods and services provided:

	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	372,257	94.8	412,340	92.8	333,557	91.5	332,920	89.2
Materials and toolings	15,221	3.9	25,032	5.6	26,756	7.3	32,876	8.8
Miscellaneous services ^(Note)	5,084	1.3	6,941	1.6	4,257	1.2	7,549	2.0
Total	392,562	100.0	444,313	100.0	364,570	100.0	373,345	100.0

Note: These miscellaneous services mainly included machinery rental, repair and maintenance and other miscellaneous services.

Please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations" in this document for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table. During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required.

We may obtain quotations from our suppliers in making our cost estimation during the tender phase. We will contact the suppliers that we have obtained quotations from during the tender phase, and may further negotiate on the pricing and contract terms with them after we are awarded with the projects.

BUSINESS

Principal terms of engagement

Our subcontractors

We engage our subcontractors on a project-by-project basis. We have not committed to any minimum purchase amount with our subcontractors. The salient terms included in our subcontracting agreements are summarised as follows:

Scope of services

The subcontracting agreement generally sets out the scope of services to be provided by our subcontractors. We require our subcontractors to complete the subcontracted works according to our customers' specifications, drawings and requirements.

Subcontracting fees

The contracts with our subcontractors are on re-measurement basis. Under the re-measurement contracts, the final contract sum will be determined based on the agreed unit rates of each item set out in the bill of quantities or schedule of rate and the actual quantities of work done.

Defects liability period

Our subcontractors shall be responsible for rectifying works defects arising from works subcontracted to them following the completion of the relevant subcontracted works to the satisfaction of the main contractor or project owner.

Payment arrangements

Our subcontractors are required to submit progress payment application to us setting out the details of the completed work on a monthly basis. Depending on the terms of engagements with our customers and arrangements with subcontractors, we may directly settle the wages of the site workers deployed by our subcontractors and subsequently deduct such amounts in the relevant progress payment application issued to us by such subcontractors. According to the Industry Report, it is common for construction contractors to directly settle the wages of the employees of their subcontractors which will be subsequently deducted from the progress payment application issued by the subcontractors and the purpose of such arrangement is to offer better protection and ensure timely settlement of wages to the employees of the subcontractors.

BUSINESS

Arrangements for materials

Materials are (i) provided by our subcontractors at their cost; or (ii) procured by us at our cost; or (iii) procured by us for our subcontractors' use at their costs and the amount we incurred for the purchases will be deducted from our payment to our subcontractors.

Safety and prohibition of illegal workers

Our subcontractors are required to carry out the subcontracted works in accordance with the relevant laws and regulations and the safety policies of us and our customers. Our subcontractors are also prohibited from hiring illegal workers. In the event of any non-compliance, the relevant subcontractor shall indemnify our Group against any action, loss, damages arising from such non-compliance.

Suppliers of materials and toolings

We engage our suppliers of materials and toolings on a project-by-project basis. We have not committed to any minimum purchase amount with our suppliers of materials and toolings. Our purchase orders generally specify the unit price, volume, delivery date, product specification and types of materials and toolings we required. On occasion, our suppliers may require us to provide a deposit when we procure materials and toolings from them. The purchased materials and toolings are generally delivered directly to the project sites and the transportation costs for the materials and toolings supplied are generally borne by our suppliers.

The major types of materials sourced from our suppliers included Portland cement, hydraulic lime, concrete blocks, aggregates and sand, while the major types of toolings sourced from our suppliers included personal protective equipment, parts and components for plaster spray machines and wet trades works ancillary tools. We may arrange sample inspection on the materials and toolings upon their arrival. Any materials and toolings that fail to comply with the specifications or standards provided in the purchase order will be returned to the suppliers for replacement. Our suppliers of materials and toolings charge us based on the total quantity of our purchase.

Suppliers of miscellaneous services

We also procure services from suppliers of miscellaneous services such as machinery rental, repair and maintenance and other miscellaneous services. Our purchase orders generally specify the price, scope of services required and delivery date. On occasion, our rental service providers may require us to provide a deposit when leasing machinery. We have not committed to any minimum purchase amount with our suppliers of miscellaneous services.

BUSINESS

Top suppliers

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the percentage of our total purchases from our top supplier amounted to approximately 4.6%, 12.7%, 8.6% and 6.6% respectively, while the percentage of our total purchases from our top five suppliers combined amounted to approximately 20.8%, 36.0%, 25.3% and 21.8% respectively. The following tables set out information of our top five suppliers for FY2018/19, FY2019/20, FY2020/21 and FY2021/22:

FY2018/19

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers HK\$'000	%
1	Chan Tai Chuen and Pak Chuen Construction Engineering Co., Limited <i>(Note 1)</i>	Mainly subcontracting of general wet trades works services	Since 2008	7 days; by cheque	18,352	4.6
2	Ling Sze Lung Desmond and Man Yee Construction Engineering Limited <i>(Note 2)</i>	Mainly subcontracting of general wet trades works services	Since 2017	7 days; by cheque	17,983	4.6
3	(i) Cheung Fung Metal Trading Co.; (ii) Cheung Fung Engineering (Hong Kong) Limited; (iii) Cheung Fung International Metal Trading Company Limited; and (iv) Cheung Po Construction Materials Company Limited (v) Cheung Fung Metal Trading Company Limited <i>(Note 3)</i>	Mainly supplies of materials and toolings for wet trades work and subcontracting of plastering services	Since 2015	7 days to 30 days; by cheque and bank transfer	17,685	4.5
4	Supplier D <i>(Note 4)</i>	Mainly subcontracting of general wet trades works services	Since 2018	7 days; by cheque	17,570	4.5
5	To Kwai Kuen and Ka Fat Decoration Company <i>(Note 5)</i>	Mainly subcontracting of brick laying services	Since 2017	7 days; by cheque	10,196	2.6
Top five suppliers combined					81,786	20.8
All other suppliers					310,776	79.2
Total purchases					<u>392,562</u>	<u>100.0</u>

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FY2019/20

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK\$'000	%
1	Y K Engineering Company Limited ^(Note 6)	Mainly subcontracting of general wet trades works services	Since 2019	7 days; by cheque	56,495	12.7
2	Ling Sze Lung Desmond and Man Yee Construction Engineering Limited ^(Note 2)	Mainly subcontracting of general wet trades works services	Since 2017	7 days; by cheque	53,115	12.0
3	Chan Tai Chuen and Pak Chuen Construction Engineering Co., Limited ^(Note 1)	Mainly subcontracting of general wet trades works services	Since 2008	7 days; by cheque	21,880	4.9
4	Pattern Pro Construction Limited ^(Note 7)	Mainly subcontracting of general wet trades works services	Since 2019	7 days; by cheque	18,341	4.1
5	Supplier H ^(Note 8)	Mainly supplies of cement	Since 2016	30 days; by cheque	10,180	2.3
Top five suppliers combined					160,011	36.0
All other suppliers					284,302	64.0
Total purchases					<u>444,313</u>	<u>100.0</u>

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FY2020/21

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK\$'000	%
1	Ling Sze Lung Desmond and Man Yee Construction Engineering Limited <i>(Note 2)</i>	Mainly subcontracting of general wet trades works services	Since 2017	7 days; by cheque	31,247	8.6
2	Y K Engineering Company Limited <i>(Note 6)</i>	Mainly subcontracting of general wet trades works services	Since 2019	7 days; by cheque	21,373	5.9
3	To Kwai Kuen and Ka Fat Decoration Company <i>(Note 5)</i>	Mainly subcontracting of brick laying services	Since 2017	7 days; by cheque	13,792	3.8
4	Chow Chi Kar and Chief Decoration Works <i>(Note 9)</i>	Mainly subcontracting of brick laying services	Since 2009	7 days; by cheque	13,534	3.7
5	Poon Kam Chuen <i>(Note 10)</i>	Mainly subcontracting of plastering services	Since 2012	7 days; by cheque	12,372	3.4
Top five suppliers combined					92,318	25.3
All other suppliers					272,252	74.7
Total purchases					364,570	100.0

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FY2021/22

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK\$'000	%
1	Ling Sze Lung Desmond and Man Yee Construction Engineering Limited ^(Note 2)	Mainly subcontracting of general wet trades works services	Since 2017	7 days; by cheque	24,550	6.6
2	To Kwai Kuen and Ka Fat Decoration Company ^(Note 5)	Mainly subcontracting of brick laying services	Since 2017	7 days; by cheque	22,015	5.9
3	Supplier H ^(Note 8)	Mainly supplies of cement	Since 2016	30 days; by cheque	15,601	4.2
4	Lee Wai Cheong and Wai Cheong Engineering Limited ^(Note 11)	Mainly subcontracting of plastering services	Since 2018	7 days; by cheque	10,559	2.8
5	(i) Cheung Fung Metal Trading Co.; (ii) Cheung Fung Engineering (Hong Kong) Limited; (iii) Cheung Fung International Metal Trading Company Limited; and (iv) Cheung Po Construction Materials Company Limited (v) Cheung Fung Metal Trading Company Limited ^(Note 3)	Mainly supplies of materials and toolings for wet trades work and subcontracting of plastering services	Since 2015	7 days to 30 days; by cheque and bank transfer	8,568	2.3
Top five suppliers combined					81,293	21.8
All other suppliers					292,052	78.2
Total purchases					<u>373,345</u>	<u>100.0</u>

Notes:

- Chan Tai Chuen and Pak Chuen Construction Engineering Co., Limited (a company owned by Chan Tai Cheun) ("Pak Chuen Group") are mainly engaged in providing wet trades works services. Our Group became acquainted with Pak Chuen Group when they were engaged to perform works by a subcontractor of our Group in one of our wet trades works project in 2008. Subsequently, Pak Chuen Group was admitted to our internal list of approved subcontractors in the same year. Based on our enquiries with Pak Chuen Group, its annual revenue amounted to approximately HK\$30 million and it has the capacity to deploy around 50 to 60 site workers.

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2. Ling Sze Lung Desmond and Man Yee Construction Engineering Limited (a company owned by Ling Sze Lung Desmond) (“**Man Yee Group**”) are mainly engaged in providing wet trades works services. Our Group became acquainted with Man Yee Group when the owner of Man Yee Group was engaged by our Group as an individual contractor in 2012. Since then, our Group had occasionally engaged the owner of Man Yee Group to perform small-scale ad-hoc works as an individual contractor. Man Yee Group was admitted to our internal list of approved subcontractors in 2017. Based on our enquiries with Man Yee Group, its annual revenue amounted to approximately HK\$55 million and it has the capacity to deploy around 100 site workers.
3. Cheung Fung Metal Trading Co., Cheung Fung Engineering (Hong Kong) Limited, Cheung Fung International Metal Trading Company Limited, Cheung Po Construction Materials Company Limited and Cheung Fung Metal Trading Company Limited (“**Cheung Group**”) are a group of entities which have a common management member during the Track Record Period. Cheung Group is mainly engaged in providing plastering services and supplying related materials. Our Group became acquainted with Cheung Group when the owner of Cheung Group was engaged by our Group as an individual contractor over 10 years ago. The owner of Cheung Group subsequently established the first limited liability company within Cheung Group in Hong Kong in 2014 to undertake plastering services and supply related materials, and Cheung Group as a whole was subsequently admitted to our internal list of approved suppliers and subcontractors in 2015. Based on our enquiries with Cheung Group, its annual revenue amounted to approximately HK\$60 million.
4. Supplier D is a company which is mainly engaged in providing wet trades works services. Our Group became acquainted with Supplier D when the owner of Supplier D was engaged by our Group as an individual contractor over 10 years ago. The owner of Supplier D subsequently established a limited liability company in Hong Kong in 2018 to undertake wet trades works, and Supplier D was subsequently admitted to our internal list of approved subcontractors in 2018.
5. To Kwai Kuen and Ka Fat Decoration Company (a sole proprietorship owned by To Kwai Kuen) (“**Ka Fat Group**”) are mainly engaged in providing wet trades works services. Our Group became acquainted with Ka Fat Group when we were engaged in the same project over 10 years ago. Our Group had occasionally engaged the owner of Ka Fat Group to perform small-scale ad-hoc works as an individual contractor since 2012. Ka Fat Group was admitted to our internal list of approved subcontractors in 2017. Based on our enquiries with Ka Fat Group, its annual revenue amounted to approximately HK\$35 million and it has the capacity to deploy around 100 site workers.
6. Y K Engineering Company Limited is a company which is mainly engaged in providing wet trades works services. Mr. KS Chan became acquainted with Y K Engineering Company Limited in 2018 through his business network developed while acting as the president of The Association of Plastering Sub-Contractors Limited of which Y K Engineering Company Limited is a member. Y K Engineering Company Limited was admitted to our internal list of approved subcontractors in 2019. Based on our enquiries with Y K Engineering Company Limited, its annual revenue amounted to approximately HK\$100 million and has the capacity to deploy around 70 to 80 site workers.
7. Pattern Pro Construction Limited is a company which is mainly engaged in providing wet trades works services. Mr. KS Chan became acquainted with an owner of Pattern Pro Construction Limited at an industry event organised by the Association of Plastering Sub-Contractors Limited over 10 years ago. Pattern Pro Construction Limited subsequently approached our Group for potential business opportunities. Pattern Pro Construction Limited was admitted to our internal list of approved subcontractors in 2019. Based on our enquiries with Pattern Pro Construction Limited, its annual revenue amounted to approximately HK\$30 million and it employs approximately 70 employees.

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8. Supplier H is a subsidiary of a company listed on the Euronext Paris which is principally engaged in manufacturing and distributing construction materials worldwide. Our Group became acquainted with a subsidiary of Supplier H (“**Supplier H Subsidiary**”) when our Group was engaged in a project in which Supplier H Subsidiary was designated as a construction material supplier over 10 years ago. Supplier H Subsidiary was subsequently acquired by Supplier H by the end of December 2016. Supplier H was admitted to our internal list of approved suppliers in 2016. Based on publicly available information, the annual revenue of Supplier H amounted to over HK\$300 billion and it employs over 170,000 employees worldwide.
9. Chow Chi Kar and Chief Decoration Works (a sole proprietorship owned by Chow Chi Kar) (“**Chief Group**”) are mainly engaged in providing wet trades works services. Our Group became acquainted with Chief Group through the introduction of one of our project management staff in 2009. Chief Group was admitted to our internal list of approved subcontractors in 2009. Based on our enquiries with Chief Group, its annual revenue amounted to approximately HK\$15 million and it has the capacity to deploy around 30 to 40 site workers.
10. Poon Kam Chuen is an individual engaged in providing wet trades works services. Our Group became acquainted with Poon Kam Chuen through introduction by a contractor over 10 years ago. Poon Kam Chuen was admitted to our internal list of approved subcontractors in 2012. Based on our enquiries with Poon Kam Chuen, its annual revenue amounted to approximately HK\$20 million and it has the capacity to deploy around 20 to 30 site workers.
11. Lee Wai Cheong and Wai Cheong Engineering Limited (a limited liability company in Hong Kong wholly owned by Lee Wai Cheong) (“**Wai Cheong Group**”) are mainly engaged in providing wet trades works services. Our Group became acquainted with Wai Cheong Group when Mr. Lee Wai Cheong was engaged to perform works by a subcontractor of our Group in one of our wet trades works project in 2005. Lee Wai Cheong established Wai Cheong Engineering Limited in 2021 to undertake wet trade works and Wai Cheong Group was subsequently admitted to our internal list of approved subcontractors in the same year. Based on our enquiries with Wai Cheong Group, its annual revenue amounted to approximately HK\$15 million and it has the capacity to deploy around 30 to 40 site workers.

Our Directors are of the view that the nature and extent of services or goods provided to our Group by our top five suppliers during the Track Record Period were commensurate with their nature and scale of operations, taking into consideration (i) the types of goods or services purchased by us from our top five suppliers were in line with their principal business; (ii) the amount of goods or services purchased by us from our top five suppliers for each financial year as compared to their respective annual revenue; (iii) their operating history in the construction and/or wet trades works industry; (iv) their length of business relationship with our Group; and (v) their scale of operations, including annual revenue and scale of workforce (if applicable).

None of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five suppliers of our Group during the Track Record Period. Our Directors confirm that save for the transactions conducted in the ordinary course of business, there is no past or present relationship (employment, family, trust, financing or otherwise) between each of our top five suppliers and our Company or our subsidiaries, their controlling shareholders or beneficial owners, directors or senior management, or any of their respective associates.

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Procurement of subcontracting services from Chief Group

During the Track Record Period, we engaged Mr. Chow Chi Kar and Chief Decoration Works (a sole proprietorship owned by Mr. Chow Chi Kar) (collectively, “**Chief Group**”) mainly for the provision of brick laying services in 30 of our projects. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we incurred subcontracting fees of approximately HK\$3.1 million, HK\$4.2 million, HK\$13.5 million and HK\$4.1 million to Chief Group, respectively. Our Group incurred a relatively higher subcontracting fees to Chief Group for FY2020/21 mainly because Chief Group had provided substantial amount of brick laying services in four of our projects, which accounted for approximately 92.8% of our purchase from Chief Group in the corresponding year. The following table sets forth the details and the amount and types of services procured by us from Chief Group in these four projects in FY2020/21:

Project No.	Customer	Contract sum HK\$'000	Date of commencement and completion of the project ^(Note 2)	Type of services purchased by us from Chief Group	Amount of purchase from Chief Group in FY2020/21 HK\$'000
#07 ^(Note 1)	Customer Group G	110,000	Commencement: March 2020 Completion: March 2023	Mainly subcontracting of brick laying services	7,049
A1	Customer E	15,934	Commencement: November 2020 Completion: January 2022	Mainly subcontracting of brick laying services	2,284
#14 ^(Note 1)	Customer Group A	75,000	Commencement: February 2020 Completion: April 2023	Mainly subcontracting of brick laying services	1,965
A2	First Group	24,258	Commencement: April 2020 Completion: January 2022	Mainly subcontracting of brick laying services	1,257

Notes:

1. For further details, please refer to the paragraph headed “Projects undertaken during the Track Record Period – Top projects undertaken during the Track Record Period” above in this section.
2. The expected completion date for a particular project is provided based on our management’s best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

Based on our enquiries with Chief Group, its annual revenue amounted to approximately HK\$15 million in general. Taking into consideration our subcontracting fees incurred to Chief Group amounted to approximately HK\$13.5 million for FY2020/21, our Directors estimated that

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a significant proportion of revenue derived by Chief Group for the corresponding year was attributable to our Group, which was mainly due to the following factors:

- (i) According to the Industry Report, it is not uncommon in the Hong Kong wet trades works industry for subcontractors to significantly rely on a single customer. Wet trades contractors generally prefer to engage subcontractors with technical expertise and proven track record. Subcontractors generally endeavour to accommodate the demand for its subcontracting services from customer(s) with whom they have established long-term business relationship and with track record of timely payment to the extent their resources allow instead of turning down their requests, resulting in a significant proportion of their revenue being contributed by a single or a limited number of customers;
- (ii) Our Group has established business relationship with Chief Group since 2009. During our long-term business relationship with Chief Group, it has been able to comply with our requirements and specifications and deliver quality works on a timely basis. During the Track Record Period, we had not experienced any material delay in the provision of subcontracting services by Chief Group. Hence, our Group had continually engaged Chief Group as one of our subcontractors according to our internal policy and procedure on the selection of subcontractors and based on terms of engagement which are generally in line with our other subcontractors;
- (iii) Based on our enquiries with Chief Group, our Group is being considered as one of their preferred customers due to (i) our established long-term business relationship with them; (ii) our track record of timely payment; (iii) our Group's ranking as the top Hong Kong wet trades works subcontractor; and (iv) our stable customer base which include reputable construction contractors being subsidiaries of major property developer groups in Hong Kong, which suggests that we were generally able to maintain a stable source of new projects from different customers; and (v) the engagement of Chief Group to perform subcontracting works in our projects awarded by various customers, including Customer Group A, Customer Group D, Customer E, Customer Group G and First Group during the Track Record Period. Chief Group confirmed to us that they would generally accommodate to our demand for their subcontracting services to the extent their resources allow;
- (iv) According to the Industry Report, where a subcontractor obtains certain sizeable project(s) with large contract sum from a single or a limited number of customers, such project(s) would likely contribute a significant proportion of the subcontractor's revenue in the forthcoming years and resulting in a significant proportion of the subcontractor's revenue being contributed by a single or a limited number of customers. During the Track Record Period, our Group had engaged Chief Group to provide brick laying services in certain sizeable projects, such as Project #07, which contributed a significant proportion of its annual revenue; and

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- (v) The site works in our projects are labour intensive in nature. During the Track Record Period, our subcontractors on average deployed over 600 site workers in aggregate monthly to our projects. Sizeable projects generally require more than 80 site workers at the time when the peak amount of works is performed. As compared to the number of site workers our Group generally requires, Chief Group only has the capacity to deploy 30 to 40 site workers, which accounted for less than 10% of the monthly headcount of site workers required by us. Based on the above analysis, our Directors consider that it is not unreasonable for Chief Group to deploy a substantial portion of its resources to our projects, resulting in a substantial amount of revenue being derived from us.

Reasons for subcontracting arrangement

We have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. According to the Industry Report, wet trades works project generally involves various trade of works and hence it may not be cost efficient for a contractor to undertake all the works involved with its own staff. Our executive Directors confirm that, which is supported by the Industry Report, our subcontracting arrangement is in line with normal market practice.

Basis of selecting our subcontractors

We evaluate subcontractors taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Based on these factors, we maintain an internal list of approved subcontractors which is updated on a continuous basis. We typically obtain quotations from different suitable subcontractors for comparison and select our subcontractors based on their experience relevant to the particular project as well as their availability and fee quotations.

Basis of selecting our suppliers

We generally purchase materials and toolings from our internal list of approved suppliers. In selecting our suppliers of materials and toolings, we take into account various factors, including pricing, quality of material provided, timeliness of delivery and ability to comply with our requirements and specifications. We maintain an internal list of approved suppliers which is updated on a continuous basis.

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QUALITY CONTROL

We believe that our commitment to quality services is crucial to our reputation and continual success. We place strong emphasis on service quality by implementing a comprehensive quality control system. Chan Kiu has obtained certification certifying its quality management to be in conformance with the requirements of ISO 9001 standard. In conformity with the ISO 9001 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, proper filing, communication with customers, revision on quality manual and procedures, employees' training, internal and external audits, evaluation and procurement of materials and toolings and subcontracting services and non-conforming works management.

The quality control measures adopted by our Group include the followings:

Collecting feedbacks from customers

Our executive Directors and senior management team regularly communicate with and conduct site visits to collect feedbacks from our customers. We would follow up and respond to the feedbacks from our customers in a timely manner with a view to maintain and continually improve our service standard. Throughout the project implementation, we may be invited to attend progress meetings held by our customers from time to time to resolve any issues identified in the projects.

Designation of project management team

A project management team is assigned for every project based on the project nature and the relevant qualifications and experiences required. The project management team is headed by the site agent who is responsible for the overall management of the project, including liaising and communicating with our customers, coordinating and providing guidance to the other team members, overseeing the progress, budget and quality of services rendered. Depending on our customers' requests, we are generally required to submit monthly progress reports to our customers throughout the project implementation. Our monthly progress reports are prepared by the project management team which will report on the project status and any issue identified throughout the project. After the review by our senior management team, the monthly progress reports will then be submitted to our customers for record.

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Procurement of materials and toolings

Our Group maintains an approved list of suppliers which is updated on a regular basis. We generally submit sample of materials for our customers' approval before making procurement from our suppliers. Depending on the contract terms with our customers, we may be required to procure the materials of certain designated brands for use in the projects. We may arrange sample inspection on the materials and toolings upon their arrival. Please refer to the paragraph headed "Our suppliers – Basis of selecting our suppliers" above for our procurement policies of materials and toolings. Our suppliers are responsible for replacing any materials and toolings which do not meet the relevant specifications or standards and any associated costs incurred.

Works performed by subcontractors

We remain accountable to our customers for the performance and quality of work rendered by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our project management team based on our quality management system, environmental management system and occupational health and safety management system which are in conformity with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 and ISO 45001 standards respectively.

We have implemented the following measures to monitor the quality and progress of works outsourced to our subcontractors so as to ensure the compliance with our contract specifications:

- (i) our project management team conducts regular meetings with subcontractors' responsible personnel to review their performance and resolve any issues encountered in the course of their works;
- (ii) our project management team reviews the works performed by our subcontractors on a continual basis during project implementation based on our quality control manual. We assess the performance of our subcontractors based on their (i) ability to meet delivery schedules; (ii) response to instructions; (iii) ability to honour the defects liability period; (iv) management commitment; (v) quality of services; and (vi) cost competitiveness; and
- (iii) our subcontractors are required to follow our guidelines and instructions on our safety management system. Our project management team will closely monitor the on-site safety performance of our subcontractors.

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INVENTORY

In general, materials and toolings are procured by us based on our projects on hand and are delivered to our project sites to meet the estimated demand according to the work schedule of the projects. As such, we did not keep any inventory during the Track Record Period.

MACHINERY

Our self-owned machinery mainly comprise forklifts and plaster spray machines. Our forklifts are mainly used for moving and stacking materials in a short distance area whereas our plaster spray machines are mainly used for spraying plaster on the wall and ceiling. The main benefit of using a plaster spray machine is to speed up the plastering process and enhance the quality of craftsmanship. We generally deploy our self-owned machinery for the use of our subcontractors in carrying out their works in our projects. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we purchased machinery in the amount of approximately HK\$0.4 million, HK\$0.3 million, HK\$0.7 million and HK\$0.8 million at costs, respectively. The following table sets out the types of machinery owned by us:

(i)



Forklifts are mainly used for moving and stacking materials in a short distance area

(ii)



Plaster spray machines are mainly used for spraying plaster on the wall and ceiling

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The following table sets out the details of our machinery:

	As at 31 March 2019	As at 31 March 2020	As at 31 March 2021	As at 31 March 2022	As at the Latest Practicable Date
	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>
Forklifts	5	5	4	3	3
Plaster spray machines	24	27	33	39	39
Total	29	32	37	42	42

The following table sets out the remaining useful life of our machinery as at 31 March 2022:

	Fully depreciated or less than one year	One year to less than two years	Two years to three years
	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>
Forklifts	1	–	2
Plaster spray machines	29	4	6
Total	30	4	8

Although our Directors consider that our existing machinery were in operative conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery will increase as such machinery ages. Our Directors consider that continued investments in machinery are necessary in order to cope with our business development and increase our overall operational efficiency and capacity in performing our site works. As such, we plan to acquire additional machinery in the future, further information of which is disclosed in the paragraph headed “Business strategies” above in this section and the section headed “Future plans and use of [REDACTED]” in this document.

As at the Latest Practicable Date, our Group owned three forklifts, which are Regulated Machines and are subject to the NRMM Regulation. For further details, please refer to the paragraph headed “Regulatory overview – Laws and regulations in relation to environmental protection – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)”.

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Apart from the above, our Group owned three motor vehicles as at the Latest Practicable Date for the transportation of our project management staff.

Depending on the service capacity and availability of our machinery, we may also lease certain machinery, such as forklift, plaster spray machine, elevating work platforms and scaffolding platform, from rental service providers.

Safe keeping of machinery

Our machinery is generally stored at the construction sites of our ongoing projects from time to time unless the relevant machinery was under repair and maintenance.

Repair and maintenance

We continuously monitor the operating conditions of our owned machinery, based on which we make replacement and/or repair and maintenance decisions on an ongoing basis. Repair and maintenance works are carried out by external mechanics engaged by us as needed. For FY2018/19 and FY2019/20, FY2020/21 and FY2021/22, we incurred repair and maintenance expenses for our machinery of approximately HK\$0.8 million, HK\$0.3 million, HK\$0.3 million and HK\$0.4 million, respectively.

INSURANCE

We undertook projects in the role of subcontractor during the Track Record Period. Our executive Directors confirmed that our wet trades works were covered by the employees' compensation insurance, third party liability insurance and contractor's all risks insurance taken out by the main contractors for the entire construction projects. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site and works performed by them in the relevant construction site.

Our Group has also maintained employees' compensation insurance for our executive Directors and employees at our office. In addition, we have taken out third-party liability insurance regarding the use of our motor vehicles.

Our executive Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

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Uninsured risks

Certain risks disclosed in the “Risk factors” section of this document, such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control systems” below in this section for further details regarding how our Group manages certain uninsured risks.

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 82 employees (including our two executive Directors but excluding our three independent non-executive Directors). All our employees were stationed in Hong Kong. The following table sets out a breakdown of our employees by function:

	As at 31 March 2019	As at 31 March 2020	As at 31 March 2021	As at 31 March 2022	As at the Latest Practicable Date
General management	2	2	2	2	2
Project supervision	21	18	25	28	28
Safety supervision	4	4	5	6	6
Quantity surveyors	7	6	8	9	10
General workers	46	39	32	27	25
Finance and administration	8	8	10	11	11
	<u>88</u>	<u>77</u>	<u>82</u>	<u>83</u>	<u>82</u>

Training and recruitment policies

We generally recruit our employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel is required to cope with our business development from time to time.

We provide various types of training to our employees and sponsor our employees to attend various training courses covering areas such as technical knowledge relating to the carrying out of wet trades works, safety, first aids, and environmental matters. Such training courses include our internal trainings as well as courses organised by external parties such as the Occupational

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Safety and Health Council. Employees carrying out construction works at construction sites are generally required to be registered pursuant to the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), which imposes certain training requirements on workers prior to registration, details of which are set out in the paragraph headed “Regulatory overview – Laws and regulations in relation to labour, health and safety” in this document. As at the Latest Practicable Date, all of our employees carrying out construction works on construction sites were registered under the Construction Workers Registration Ordinance.

Staff costs and remuneration policy

In general, our Group determines employees’ salaries based on their qualifications, position and seniority. In order to attract and retain valuable employees, our Group reviews the performance of our employees annually which will be taken into account in annual salary review and promotion appraisal.

Our Group incurred staff costs (including director’s remuneration) of approximately HK\$30.7 million, HK\$28.6 million, HK\$28.8 million and HK\$32.6 million for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively.

Employee relationship

Our Directors believe that we have maintained a good relationship with our employees. Save as disclosed in the paragraph headed “Litigations and claims” below in this section, we have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. There has not been any trade union set up for our employees.

LICENCES AND QUALIFICATIONS

Given that all the necessary licences, permits or approval required for projects in which we are involved are arranged by the relevant main contractors, there is no particular licence, permit or approval required to be obtained by us in providing wet trades works services as a subcontractor under private sector projects except the business registration. Meanwhile, subcontractors engaged under the public sector projects initiated by the Government are required to possess registration under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. For further details, please refer to the paragraph headed “Regulatory overview – Laws and regulations in relation to contractor licensing regime and operation – Registered Specialist Trade Contractors Scheme” in this document.

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Both of our principal operating subsidiaries, Chan Kiu and Ying Wai, are registered specialist trade contractors in the designated trade category of plastering under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council, details of which are summarised as follows:

Type of registration	Granted by	Granted to	Designated trade	Grouping	Date of upcoming expiry date
Registered specialist trade contractor	Construction Industry Council	Chan Kiu	Plastering	Group 2	4 November 2023
Registered specialist trade contractor	Construction Industry Council	Ying Wai	Plastering	Group 2	28 October 2023

Our executive Directors are of the view that our aforesaid licences and registrations are adequate for our business needs. As advised by the Legal Counsel, there was no legal impediment to the renewal of the above registrations by our Group as at the Latest Practicable Date.

ENVIRONMENTAL COMPLIANCE

Our Group’s operations are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, waste disposal and compliance with the relevant NRMM regulations during the Track Record Period. For details of the regulatory requirements, please refer to the section headed “Regulatory overview” in this document. According to the Industry Report, the arrangements for construction waste disposal from the site works are generally handled by the main contractors.

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we incurred approximately HK\$12,000, HK\$16,000, HK\$18,000 and HK\$8,000, respectively, directly in relation to the compliance with applicable environmental requirements. Such amounts mainly included costs in relation to dust control measures. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation and affected by our agreements with customers and subcontractors as to the party responsible for bearing the relevant costs from project to project.

During the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with applicable environmental requirements that resulted in prosecution, conviction or penalty being brought against us.

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OCCUPATIONAL HEALTH AND WORK SAFETY

Our Group places emphasis on occupational health and work safety. In 2018, we have established an occupational health and safety management system which is certified to be in compliance with OHSAS 18001 and ISO 45001 standards in order to promote a safe and healthy working environment.

Our project management team is responsible for overseeing the implementation of our occupational health and safety policies and to ensure that we comply with applicable occupational health and safety standards. Our Group has put in place an internal safety plan which is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. We require our employees and our subcontractors' employees to follow our safety rules as set out in the safety plan. Our safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents. We also provide suitable personal protective equipment such as full-body harness, safety helmet and safety boots to our employees and our subcontractors' employees based on the type of works undertaken by them.

The Construction Sites (Safety) Regulations prescribe that on a construction site where workers are at the risk of falling from a height of two meters or more, the contractor shall take adequate steps to ensure the safety of these workers, including the provision of suitable and adequate quantities of planks and toe-boards to be served as working platforms. During the Track Record Period, some of our major customers, such as Customer Group A and Customer Group D, had taken up the responsibility for providing adequate quantities of planks and toe-boards. However, we were required under the contracts with some of our major customers, including Sanfield and Customer Group G, to arrange adequate quantities of planks and toe-boards on our own account for the use in their projects.

Our safety supervisor regularly provides guidance to our workers and subcontractors on correct and safe working practices. We may impose fines on or remove the subcontractors who have repeatedly breached the internal safety procedures from our internal approved list of subcontractors. We also hold regular meetings with our subcontractors to discuss on the implementation of safety measures and follow up with any safety issues identified during the course of project implementation.

We have designated Mr. WP Chan to oversee our safety department which is primarily responsible for implementing the safety management system at our project sites. Further, we have set up a safety committee at the corporate level with Mr. WP Chan as its chairperson, Mr. KS Chan as its vice-chairperson and Mr. Lai Wai Hung as its member, having the function of enforcing safety policies, reviewing and assessing safety policies, cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards, accident rates and any non-compliance with applicable safety-related laws and regulations, meetings of which should be held on a monthly basis. For qualifications and experience of Mr. WP Chan, Mr. KS Chan and Mr. Lai Wai Hung, please refer to the section headed "Directors and senior management" in this document.

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During the Track Record Period, we engaged safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations. During the course of the safety audits, the safety auditors (i) conducted physical inspection on selected sites to assess if our established safety management system was implemented in accordance with the relevant laws and regulations in Hong Kong; (ii) conducted interview with personnel selected from different levels; (iii) obtained documents for review to assess the adequacy and effectiveness of our safety management system; and (iv) suggested areas of improvements and recommendations on our safety management system. Upon completion of the safety audits, the safety audit reports were submitted to our safety officer and executive Directors for review and then submitted to the Labour Department. Our Directors confirmed that no material deficiencies in relation to our safety management system had been identified by the safety auditors and that our safety management system had continually fulfilled the relevant safety regulations in all material respects.

To further enhance the safety awareness of our employees and our subcontractors' employees and to minimise the relevant safety risks in the execution of our projects, we have engaged the Safety Consultant to perform a review on our existing occupational health and safety management system and to assess the adequacy and effectiveness of our occupational health and safety management system in September 2020.

The Safety Consultant consisted of a professional individual who is a chartered member and registered safety practitioner of the Institution of Occupational Safety and Health of the United Kingdom. The Safety Consultant had provided safety-related consultancy services to over 10 listed issuers on the Stock Exchange which engage in the construction industry in Hong Kong. The person in-charge of the Safety Consultant has more than 20 years of experience in attending to construction-related safety matters in Hong Kong. He had held safety supervisory roles at various established construction firms in Hong Kong prior to joining the Safety Consultant.

Having reviewed, among other things, (i) records pertaining to the accidents during the Track Record Period and up to the Latest Practicable Date; (ii) the existing safety measures and procedures adopted by our Group; (iii) records pertaining to our implementation of safety measures and procedures; and (iv) having carried out on-site inspections at selected work sites in which we were carrying out our works, the Safety Consultant is of the view that the existing occupational health and safety management system of our Group is adequate and effective. For further details on the basis for the Safety Consultant's view, please refer to the paragraph headed "The Safety Consultant's view on the adequacy and effectiveness of our safety management system" in this section below.

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Measures in response to the outbreak of COVID-19

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

- requesting staff and workers to wear surgical masks both at office and works sites;
- monitoring the stock of personal protective equipment (including but not limited to surgical masks and hand sanitizer) for our employees;
- conducting mandatory body temperature check before entering works sites and random body temperature check at works sites during the day;
- requesting staff and workers to maintain personal hygiene and those who have respiratory symptoms shall be refrained from working and be asked to seek medical advice promptly;
- placing health educational materials on COVID-19 at prominent areas of our office and works sites; and
- if any staff or workers are requested by the Department of Health to be quarantined or have been confirmed to have contracted the COVID-19, their respective department or project management team will be informed and requested to keep on record. Any other staff or workers who has close contact with such staff or workers shall also be informed.

Confirmed cases of COVID-19 at the project sites of our projects

In late January 2021, several confirmed COVID-19 cases were reported at the project site of Project #18 located in Yau Ma Tei (the “**Yau Ma Tei Site**”). For further details on Project #18, please refer to the paragraph headed “Projects on hand” in this section. In order to contain the transmission of COVID-19 and to facilitate disinfection at the Yau Ma Tei Site, the Centre for Health Protection under the Department of Health of the Government advised that all construction activities at the Yau Ma Tei Site to be suspended for 14 days with effect from 28 January 2021. Construction works at the Yau Ma Tei Site had resumed subsequent to the temporary works suspension.

Upon the resumption of works, the main contractor of Project #18 announced a series of elevated social distancing measures to contain the transmission of COVID-19 at the Yau Ma Tei Site including, thorough disinfection of the Yau Ma Tei Site and requiring all workers to provide valid proof of negative COVID-19 test result, undergo mandatory body temperature check and fill in health declaration form before entering the Yau Ma Tei Site. Our executive Directors confirmed that the confirmed COVID-19 cases reported at the Yau Ma Tei Site were not related to our employees or our subcontractors’ employees.

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Our executive Directors considered that the temporary works suspension at the Yau Ma Tei Site did not result in material business or financial impact to our Group, taking into consideration (i) based on the best estimation of our management, the current project status of Project #18 was in line with its expected project schedule; (ii) we did not receive any other suspension order or notice in relation to Project #18 after the temporary works suspension and up to the Latest Practicable Date; and (iii) we did not experience any cancellation of work orders in respect of Project #18 as at the Latest Practicable Date as a result of the temporary works suspension.

Impact of the fifth wave of outbreak of COVID-19 on our operations

Since January 2022 and up to April 2022, Hong Kong has recorded the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the “**Fifth Wave Outbreak**”), as the daily number of confirmed cases increased significantly during the period. To a certain extent, we were adversely affected by the Fifth Wave Outbreak from February 2022 to April 2022, details of which are set out as follows:

- Some of our employees and our subcontractors’ employees have been tested positive of COVID-19. We recorded 28 confirmed cases relating to our employees up to the Latest Practicable Date. To the best knowledge of our Directors after making reasonable enquiries, saved as two employees who have been tested positive in early July 2022, all of our employees who were previously tested positive for COVID-19 have already resumed work as at the Latest Practicable Date;
- Confirmed COVID-19 cases were reported at the project sites of three of our projects, namely Project #18, #19 and O15 during the Fifth Wave Outbreak. In order to contain the transmission of COVID-19 and to allow for thorough disinfection, all construction activities on those project sites were temporarily suspended (collectively, the “**Temporary Works Suspensions**”). Project #18 was suspended for three days, Project #19 was suspended for two days and Project O15 was suspended for four days, mainly for disinfection. As at the Latest Practicable Date, the Temporary Works Suspensions have been lifted and we have resumed work on the aforementioned projects. Our Directors confirmed that the impact of the Temporary Works Suspensions to our Group was temporary and not material, taking into consideration that (i) the Temporary Works Suspensions were short-lived and did not result in any material delay in the project schedule; (ii) we have resumed business operation in full scale since early-April 2022 and we had not experienced any material operational disruption thereafter; (iii) based on the best estimation of our management, the projects affected by the Temporary Works Suspensions are expected to complete according to their respective project schedule; and (iv) we did not experience any cancellation of existing work orders in respect of the projects affected by the Temporary Works Suspensions; and

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- Our Group experienced temporary disruption to the supply of materials and toolings from February 2022 to late-April 2022 due to brief disruption to the supply chain and cross-border transportation, which resulted in temporary impediment to our operation during the Fifth Wave Outbreak. Our Directors consider that the temporary disruption to the supply of materials and toolings did not have long-lasting adverse impact on our operation taking into consideration (i) the supply chain for construction materials and toolings and cross-border transportation have resumed to normal level since late-April 2022 and we have not experienced any material disruption in the supply of materials and toolings thereafter; and (ii) we have used our best endeavour to mitigate the impact of disruption through sourcing materials and toolings from suppliers with adequate inventories.

The Fifth Wave Outbreak resulted in certain adverse impact to our Group's business operations and financial performance. Based on our unaudited management account, our revenue decreased by approximately 30% and our gross profit decreased by approximately 20% for the three months ended 31 March 2022, as compared to the corresponding period in 2021. Meanwhile, our operation has fully resumed since late-April 2022.

Save as disclosed above and 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 42 tenders which were still undergoing tender selection process and pending tender result. None of the customers of these tendered projects 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;

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- we had not experienced any material delay in delivery of materials and/or subcontracting services by our suppliers and subcontractors; and
- according to the Industry Report, some of the ongoing construction projects in Hong Kong have been postponed in progress due to the outbreak of COVID-19 in 2020, which led to the temporary decrease in demand for construction works as well as wet trades works in Hong Kong. The operation of construction activities had not been materially affected by COVID-19 and it is expected that in general the operation of construction industry in Hong Kong will not be materially affected in the near future and the outlook of wet trades works market will remain positive, as it is driven by the planned urban development and strong demand from the residential and commercial sectors in the long-run.

Role and responsibilities of our Group in ensuring the safety compliance and conditions at the project sites of the main contractors

Our Group primarily focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Typically, our role and responsibilities in ensuring the safety compliance and conditions at the project sites of the main contractors include the following:

- as required by the main contractors, a mandatory safety training course must be taken by every construction site worker (including both our Group's and our subcontractors' employees) who is required to obtain a valid certificate (also known as "green card") before he/she is allowed to enter a construction site. Our Group also organises or arranges site safety induction briefing sessions for workers on the first day of work and provides trainings for the workers on site, including subcontractors' employees. Topics of the safety training typically cover safety procedures for performing different types of work (e.g. working at height), safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, potential hazards in respect of the work sites, function and proper usage of personal protection equipment, contingency measures at work sites, and good housekeeping of workplaces;
- effective promotion and communication of safety procedures are maintained through among others, establishing safety incentives scheme with cash coupon to good safety performance workers, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records;
- all workers on site, including subcontractors' employees, are required to follow the general safety rules adopted by our Group and the main contractors which are communicated to the workers before they commence work and posted on prominent notice boards on site. In particular, our Group's safety rules have stipulated safe working practices for work-at-height covering areas such as (i) access to and egress

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from scaffolds; (ii) proper erection of working platform; (iii) regular inspection of scaffold by competent person; and (iv) use of personal protection equipment including fall arrestor and safety harness. Workers who breach any such rules will be subject to internal disciplinary actions;

- risk assessments are generally conducted by our Group's safety officer to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works and safety committee is set up at site level;
- site inspections are carried out at least once a week by our Group's safety supervisors to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations; and
- safety audits and safety reviews are conducted in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulation.

Handling and recording of workplace accidents

Our Group has a system in place for handling and recording work accidents during the Track Record Period and up to the Latest Practicable Date. Set out below is our general procedures for handling and recording work accidents:

- Upon occurrence of an accident, we require the injured worker or person who witnessed the accident to report to our safety supervisor about the details of the accident on a timely basis, including the venue, time, cause of injury, etc. Our safety supervisor will then report the accident to the relevant main contractor.
- Our safety supervisor will prepare a notice of accident and send the notice of accident to the site agent and our administrative staff detailing the venue, date and time of the accident, name of the injured, details of the accident and injury and follow up action performed by the safety supervisor after the occurrence of the accident. Our administrative staff maintains a master file for recording all details of injury cases.

The tables below set out the breakdown of the number of personal injury accidents by year/period and the nature of the personal injury accidents occurred during the Track Record Period and up to the Latest Practicable Date:

	Number of accidents
For the year ended 31 March 2019	12
For the year ended 31 March 2020	8
For the year ended 31 March 2021	8
For the year ended 31 March 2022	19
From 1 April 2022 to the Latest Practicable Date	7
Total:	54^(Note)

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Note: Based on evidence available to our Group and the accident investigation reports prepared by our Group, out of the above 54 accidents:

- (i) 27 accidents whose primary responsibility was attributable to the injured workers for not paying attention to the work environment, carelessness or inappropriate use of tools or equipment;
- (ii) five accidents whose primary responsibility was attributable to the subcontractors' workers for failing to observe and comply with the safety guidelines and instructions, such as failing to use or properly use the personal protective equipment, despite all the safety trainings and personal protective equipment have been provided;
- (iii) one accident whose primary responsibility was attributable to our own workers for failing to observe and comply with the safety guidelines and instructions, such as failing to use or properly use the personal protective equipment, despite all the safety trainings and personal protective equipment have been provided;
- (iv) three accidents whose primary responsibility was attributable to the subcontractors for providing defective personal protective equipment or failing to maintain the safety of the work sites;
- (v) one accident whose primary responsibility was attributable to the main contractor for failing to maintain the safety of the work site;
- (vi) one accident which involve the injured worker falling down from height. The actual cause of the accident is still under investigation; and
- (vii) the remaining 16 accidents were considered as natural accidents which occurred notwithstanding (a) the main contractors, our Group or the subcontractors have provided all the safety trainings and personal protective equipment; (b) the injured workers seem to have observed and complied with the safety guidelines and instructions.

The aforesaid classification was compiled by safety officer of the Group after discussion with the Safety Consultant, having regarding to the particulars of each accident involved.

Nature of accident	Number of accidents that involved our workers	Number of accidents that involved workers of our subcontractor
Slipped, tripped or fell on the same level	5	11
Injured whilst lifting or carrying	3	7
Struck by moving or falling object	5	8
Striking against fixed or stationary object	–	6
Striking against moving object	1	2
Fell from height <i>(Note)</i>	–	2
Being trapped by door	1	–
Flying object into the eye	–	2
Inhalation of chemical	1	–
Total:	16	38

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Note: These include a fatal accident which occurred in December 2019 and an accident occurred in May 2021. In respect of the fatal accident occurred in December 2019, please refer to the paragraph headed "Occupational health and work safety – Fatal accident occurred in December 2019" below in this section. In respect of the accident occurred in May 2021, it was alleged that the worker fell down from height. The actual cause of the accident is still under investigation as at the Latest Practicable Date. Please refer to the paragraph headed "Occupational health and work safety – Wong Chuk Hang Suspension Notice in May 2021" below in this section for further details.

We have adopted the following safety measures to prevent the occurrence of similar accidents:

Nature of accident	Safety control measures implemented
Personal injury in connection with worker slipping, tripping or falling on the same level	Workers are required to strictly follow our Group's relevant safety procedure to put all objects and materials orderly in the specified location securing the tidiness of the work site. Workers are required to wear safety footwear and be aware of slippery floor.
Personal injury in connection with worker being injured whilst lifting or carrying	We always seek to minimise the needs for our workers to handle and lift heavy materials whenever possible. Where manual handling of heavy materials is inevitable, our Group will arrange for relevant machinery such as forklifts or carts to facilitate such manual works. Training to workers in relation to the correct lifting or carrying techniques are also conducted in accordance with the relevant rules and regulations.
Personal injury in connection with worker being struck by moving or falling object	Workers are required to strictly follow our Group's relevant safety procedure to wear protective gear at the work site.
Personal injury in connection with worker striking against fixed or stationary object	Workers are required to strictly follow our Group's relevant safety procedure to put all objects and materials orderly in the specified location securing the tidiness of the work site.
Personal injury in connection with worker striking against moving object	Workers are required to strictly follow our Group's relevant safety procedures for operating various types of power tools. Only trained workers are permitted to operate certain power tools according to our in-house safety rules.

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Nature of accident	Safety control measures implemented
Personal injury in connection with worker falling from height	Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted at scaffold and at height of two metres or above, the relevant working platforms or structures shall be inspected by competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness with double lanyards. For the scaffold and working platform provided by main contractor, valid reports of scaffolds inspection in the form prescribed by the Commission for Labour shall be available and checked by our safety supervisor/site foreman before commencement of work.
Personal injury in connection with worker being trapped by door	Workers are required to strictly follow our Group's relevant safety procedure in wearing protective gear when entering the site.
Personal injury in connection with flying object into the eye	Workers are required to strictly follow our Group's relevant safety procedure in wearing eye goggles for hammering work.

Fatal accident occurred in December 2019

In December 2019, a fatal accident occurred at the site of Lohas Park, New Territories, Hong Kong (the "**Lohas Park Site**") under Project #10, at which our Group was engaged to provide wet trades works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker fell down from height when performing tile finishing works on the bamboo scaffolding working platform at the Lohas Park Site (the "**Lohas Park Accident**").

After the occurrence of the Lohas Park Accident, the main contractor had followed the proper procedures including making necessary filing with the Labour Department and notifying the relevant insurer. In light of the Lohas Park Accident, the Labour Department issued three suspension notices (the "**Lohas Park Suspension Notices**") in accordance with the Occupational Safety and Health Ordinance to Chan Kiu on 11 December 2019, pursuant to which workings relating to bamboo scaffoldings at the said tower located on the Lohas Park Site shall be suspended until further notice and/or revocation of the notices. The Labour Department had revoked two of the Lohas Park Suspension Notices on 17 February 2020 and the remaining Lohas Park Suspension Notice on 12 March 2020 and we had resumed the relevant works accordingly.

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On 10 June 2020, five summonses (the “**Lohas Park Summonses**”) were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against Chan Kiu in relation to the Lohas Park Site. During the trial of the Lohas Park Summonses, the prosecution offered no evidence and the Lohas Park Summonses were dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted of all the Lohas Park Summonses. The details of the Lohas Park Summonses are set out in the paragraph headed “Litigations and claims – Litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date” below in this section.

Having reviewed, among other things, (i) records pertaining to the Lohas Park Accident; (ii) the existing safety measures and procedures adopted by our Group as set out in details in the paragraph headed “The Safety Consultant’s view on the adequacy and effectiveness of our safety management system” below in this section; (iii) records pertaining to our implementation of safety measures and procedures; (iv) on-site inspections at the Lohas Park Site; (v) independent safety audit reports; (vi) the Lohas Park Suspension Notices; and (vii) the dismissal of the Lohas Park Summonses, the Safety Consultant is of the view that no material deficiency in relation to our Group’s safety management system was identified in the Lohas Park Accident and the existing occupational health and safety management system of our Group is adequate and effective. For further details on the basis for the Safety Consultant’s view, please refer to the paragraph headed “The Safety Consultant’s view on the adequacy and effectiveness of our safety management system” below in this section.

Our Legal Counsel’s view as to our legal liability

Subsequent to the date of the Lohas Park Accident and up to the Latest Practicable Date, no civil claims in relation to the Lohas Park Accident had been initiated against our Group. The main contractor had taken out employees’ compensation insurance to cover the risk of injury or death sustained by workers in their course of employment under the main contractor and/or its subcontractors at different tiers. As advised by the Legal Counsel, the amount of the potential employees’ compensation claim and/or common law personal injury claim to be borne by our Group, if any, shall be covered by the insurance policy maintained by the main contractor with a limit of indemnity at HK\$200 million for any one accident. The Legal Counsel further advised that there is nothing to suggest that the relevant employees’ compensation insurance was not valid and not subsisting to cover the potential civil claims, if any, arising out of the Lohas Park Accident to be commenced by the deceased worker’s executor or administrator or that the insurer will repudiate coverage. The Legal Counsel is of the view that the relevant employees’ compensation insurance would be sufficient to cover the potential civil claims, if any, arising out of the Lohas Park Accident to be commenced by the deceased worker’s executor or administrator, as the prescribed minimum insurance coverage amount under the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) was set after consultations and studies by the Government and the Legislative Council had not invoked its power under the Employees’ Compensation Ordinance to amend such amount as at the Latest Practicable Date.

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Adequacy and effectiveness of our safety management system

Notwithstanding the occurrence of the Lohas Park Accident, our executive Directors and the Safety Consultant are of the view that this is an isolated incident and the existing safety management system of our Group is adequate and effective based on the following factors:

- During the Track Record Period, we have engaged safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulation. The latest safety audit conducted pursuant to the statutory requirements for the Lohas Park Site were in December 2021. Based on the safety audit report, no material deficiencies in relation to our safety management system has been identified by the safety auditors.
- Prior to the commencement of works, our project management staff had provided site safety specific induction training to the deceased worker, which covered, among other things, introduction to our site safety supervision personnel, our occupational health and safety policies as well as safety practice, potential hazards in respect of the work sites, function and proper usage of personal protection equipment, contingency measures at work sites and the use of first-aid equipment.
- Prior to the commencement of works, the deceased worker had acknowledged in writing the receipt of personal protection equipment from our Group, including but not limited to full-body safety harness with lanyard, fall arrestor, safety helmet and safety boots.
- Our Group has put in place an internal safety plan which is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. We require our employees and our subcontractors' employees to follow our safety rules as set out in the safety plan. Our safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents. In particular, our safety rules have stipulated safe working practices for work-at-height covering areas such as (i) access to and egress from scaffolds; (ii) proper erection of working platform; (iii) regular inspection of scaffold by competent person; and (iv) use of personal protection equipment including safety nets and safety belt.
- After the occurrence of the Lohas Park Accident, our Group issued a warning letter to our subcontractor who employed the deceased worker, requiring him to enhance his safety supervision measures and to ensure compliance with the work safety measures imposed by our Group and the main contractor. According to the letter, we shall remove such subcontractor from our internal approved list of subcontractors for a two-year period and cease our existing engagements with him should there be any material non-conformance with the aforesaid requirements following the issue of our letter.

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Impact on our operations and financial position

Our executive Directors are of the view that the Lohas Park Suspension Notices, which caused a temporary suspension of the relevant works as discussed above, would have no material impact on the progress of the relevant project given that (i) based on the best estimation of our management, the current project status was in line with the expected project schedule; (ii) the list of works subject to the Lohas Park Suspension Notices were limited to workings relating to bamboo scaffoldings at the said tower located on the Lohas Park Site, and other wet trades works at the Lohas Park Site remains unaffected; and (iii) the Labour Department has revoked all of the Lohas Park Suspension Notices by 12 March 2020.

Our executive Directors are of the view that the Lohas Park Accident and the Lohas Park Suspension Notices would not have any material adverse impact on our Group's operations and financial position. Based on the advice of the Legal Counsel, the employees' compensation insurance policy taken out by the main contractor would be sufficient to cover the potential civil claim brought against our Group under the Lohas Park Accident. As advised by the Legal Counsel, the amount of the potential employees' compensation claim and/or common law personal injury claim to be borne by our Group, if any, shall be covered by the insurance policy maintained by the main contractor with a limit of indemnity at HK\$200 million for any one accident. The Legal Counsel further advised that there is nothing to suggest that the relevant employees' compensation insurance was not valid and not subsisting to cover the potential civil claims, if any, arising out of the Lohas Park Accident to be commenced by the deceased worker's executor or administrator or that the insurer will repudiate coverage. The Legal Counsel is of the view that the relevant employees' compensation insurance would be sufficient to cover the potential civil claims, if any, arising out of the Lohas Park Accident to be commenced by the deceased worker's executor or administrator, as the prescribed minimum insurance coverage amount under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) was set after consultations and studies by the Government and the Legislative Council had not invoked its power under the Employees' Compensation Ordinance to amend such amount as at the Latest Practicable Date. Further, the relevant customer in respect of the Lohas Park Site had not informed us of any intention to terminate the relevant works contract with us or to cease inviting us to tender or awarding contracts to us in the future. Following the occurrence of the Lohas Park Accident in December 2019 and up to the Latest Practicable Date, our Group had continued to receive tender invitations from different potential and existing customers. For FY2020/21, our Group had responded to our customers' tender invitations by submitting a total of 135 tenders of which our Group was awarded with 17 projects. Among these submitted tenders, 23 tenders were submitted to the relevant customer in respect of the Lohas Park Site, of which we had been awarded with four projects. For FY2021/22, our Group had responded to our customers' tender invitations by submitting a total of 111 tenders of which our Group was awarded with 19 projects. Therefore, our executive Directors consider that the Lohas Park Accident did not result in any material impact on our ability to obtain new business opportunities from our customers.

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Potential impact on the status of our registration

According to the Rules and Procedures for the Register of Subcontractors issued by the Construction Industry Council, convictions under the Factories and Industrial Undertakings Ordinance in relation to serious construction site safety incidents resulting in loss of life may call for regulatory actions. During the trial of the Lohas Park Summonses, the prosecution offered no evidence and the Lohas Park Summonses were dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted of all the Lohas Park Summonses.

The Legal Counsel is of the view that there was no legal impediment to the renewal of the registration of Chan Kiu under the Registered Specialist Trade Contractors Scheme as at the Latest Practicable Date, taking into account the dismissal of the Lohas Park Summonses.

Wong Chuk Hang Suspension Notice in May 2021

In May 2021, an accident (the “**Wong Chuk Hang Accident**”) occurred at the site of Wong Chuk Hang, Hong Kong Island, Hong Kong (the “**Wong Chuk Hang Site**”) under Project #16, at which our Group was engaged to provide wet trades works. One construction worker, being an employee of a subcontractor of our Group, sustained injury during the course of work. It was alleged that the worker fell down from height. The actual cause of the accident is still under investigation and the nature and severity of injuries are still unknown as at the Latest Practicable Date. To the best of our Directors’ knowledge, the injured worker is in a stable condition.

After the occurrence of the Wong Chuk Hang Accident, the main contractor had followed the proper procedures including making necessary filing with the Labour Department and notifying the relevant insurer. In light of the Wong Chuk Hang Accident, the Labour Department issued a suspension notice (the “**Wong Chuk Hang Suspension Notice**”) in accordance with the Occupational Safety and Health Ordinance to Chan Kiu on 20 May 2021, pursuant to which tile work on the external wall of the relevant towers located on the Wong Chuk Hang Site shall be suspended until further notice and/or revocation of the notice. The Labour Department had revoked the Wong Chuk Hang Suspension Notice on 22 June 2021 and thereafter we had resumed the tile works on the external wall of the relevant towers accordingly.

On 19 November 2021, four summonses (the “**WCH Summonses**”) were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against Chan Kiu in relation to the Wong Chuk Hang Site. The details of the WCH Summonses are set out in the paragraph headed “Litigations and claims – Ongoing criminal litigations against our Group as at the Latest Practicable Date” below in this section.

Our executive Directors confirmed, and the Safety Consultant concurs, that on the day of the Wong Chuk Hang Accident, the metal scaffolding, protective fence, base board, accesses and egresses and fibre rope type independent lifelines were provided and maintained by the main contractor and our Group was neither involved in the design or setup of nor was our Group responsible for providing or maintaining the scaffolding at the Wong Chuk Hang Site. As such, the primary responsibility of the overall safety conditions of the Wong Chuk Hang Site was

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borne by the main contractor. In particular, the injured worker had (i) attended the safety induction training provided by the main contractor; (ii) attended the specific training course on working at height provided by the main contractor; (iii) passed the construction site safety and health induction course test given by the main contractor; and (iv) acknowledged in writing the receipt of personal protective equipment from the main contractor. Further, the injured worker, being an employee of a subcontractor of our Group, worked under the instructions of the subcontractor and she was subject to lesser direct control by our project supervision staff as compared to our own employees. As stipulated in the subcontract between the Group and the subcontractor, the subcontractor must carry out the relevant works in accordance with all applicable safety regulations, and shall be fully responsible for supervising, monitoring and educating the employees of the subcontractor to comply with all applicable safety regulations. Further, the subcontractor shall be responsible for providing personal protective equipment for the employees of the subcontractor in accordance with all applicable safety regulations. As such, the primary responsibility in ensuring the safety compliance and conditions and implementing the safety supervision measures at the Wong Chuk Hang Site in relation to the subcontracted works was borne by the subcontractor. Notwithstanding the above, our safety supervisor had conducted regular inspections on the site, including general safety checks on access and egress, working at height, lifting appliances and lifting gear, electricity, fire prevention, health, machinery, personal protective equipment, and had made recommendations accordingly.

Having reviewed, among other things, (i) records pertaining to the Wong Chuk Hang Accident; (ii) the existing safety measures and procedures adopted by our Group as set out in details in the paragraph headed "The Safety Consultant's view on the adequacy and effectiveness of our safety management system" below in this section; (iii) records pertaining to our implementation of safety measures and procedures; (iv) on-site inspections at the Wong Chuk Hang Site; (v) independent safety audit reports; and (vi) the Wong Chuk Hang Suspension Notice, the Safety Consultant is of the view that no material deficiency in relation to our Group's safety management system was identified in the Wong Chuk Hang Accident and the existing occupational health and safety management system of our Group is adequate and effective. For further details on the basis for the Safety Consultant's view, please refer to the paragraph headed "The Safety Consultant's view on the adequacy and effectiveness of our safety management system" below in this section.

Subsequent to the date of the Wong Chuk Hang Accident and up to the Latest Practicable Date, no civil claims in relation to the Wong Chuk Hang Accident had been initiated against our Group. The main contractor had taken out employees' compensation insurance to cover the risk of injury or death sustained by workers in their course of employment under the main contractor and/or its subcontractors at different tiers. As advised by the Legal Counsel, the amount of the potential employees' compensation claim and/or common law personal injury claim to be borne by our Group, if any, shall be covered by the insurance policy maintained by the main contractor with a limit of indemnity at HK\$200 million for any one accident. The Legal Counsel further advised that there is nothing to suggest that the relevant employees' compensation insurance was not valid and not subsisting to cover the potential civil claims, if any, arising out of the Wong Chuk Hang Accident to be commenced by the injured worker or that the insurer will repudiate coverage. The Legal Counsel is of the view that the relevant employees' compensation insurance

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would be sufficient to cover the potential civil claims, if any, arising out of the Wong Chuk Hang Accident to be commenced by the injured worker, as the prescribed minimum insurance coverage amount under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) was set after consultations and studies by the Government and the Legislative Council had not invoked its power under the Employees' Compensation Ordinance to amend such amount as at the Latest Practicable Date.

Adequacy and effectiveness of our safety management system in relation to the Wong Chuk Hang Site

Notwithstanding the occurrence of the Wong Chuk Hang Accident, our executive Directors and the Safety Consultant are of the view that this is an isolated incident and the existing safety management system of our Group is adequate and effective based on the following factors:

- During the Track Record Period, we have engaged safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulation. The latest safety audit conducted pursuant to the statutory requirements for the Wong Chuk Hang Site was in January 2022. Based on the safety audit report, no material deficiencies in relation to our safety management system has been identified by the safety auditors.
- For further details related to our safety management system, please refer to the paragraph headed "Our Safety Consultant's view on the adequacy and effectiveness of our safety management system" below in this section.

Impact on our operations and financial position

Our executive Directors are of the view that the Wong Chuk Hang Suspension Notice, which caused a temporary suspension of the relevant works as discussed above, would have no material impact on the progress of the relevant project given that the list of works subject to the Wong Chuk Hang Suspension Notice was limited to tile work on the external wall of the relevant towers located on the Wong Chuk Hang Site and we were allowed to carry out works at other areas of the Wong Chuk Hang Site while the Wong Chuk Hang Suspension Notice was in force, and that the suspension period was relatively short as the Wong Chuk Hang Suspension Notice was revoked around one month after its issue and the tentative expected completion date of the project is around March 2023. Our executive Directors confirmed that after the revocation of the Wong Chuk Hang Suspension Notice, our Group was able to catch up with the progress in respect of tile work on the external wall of the relevant towers located on the Wong Chuk Hang Site without incurring any additional cost.

Our executive Directors are of the view that the Wong Chuk Hang Accident and the Wong Chuk Hang Suspension Notice would not have any material adverse impact on our Group's operations and financial position. Based on the advice of the Legal Counsel, the employees' compensation insurance policy taken out by the main contractor would be sufficient to cover the

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potential civil claim brought against our Group under the Wong Chuk Hang Accident. As advised by the Legal Counsel, the amount of the potential employees' compensation claim and/or common law personal injury claim to be borne by our Group, if any, shall be covered by the insurance policy maintained by the main contractor with a limit of indemnity at HK\$200 million for any one accident. The Legal Counsel further advised that there is nothing to suggest that the relevant employees' compensation insurance was not valid and not subsisting to cover the potential civil claims, if any, arising out of the Wong Chuk Hang Accident to be commenced by the injured worker or that the insurer will repudiate coverage. The Legal Counsel is of the view that the relevant employees' compensation insurance would be sufficient to cover the potential civil claims, if any, arising out of the Wong Chuk Hang Accident to be commenced by the injured worker, as the prescribed minimum insurance coverage amount under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) was set after consultations and studies by the Government and the Legislative Council had not invoked its power under the Employees' Compensation Ordinance to amend such amount as at the Latest Practicable Date. Further, the relevant customer in respect of the Wong Chuk Hang Site had not informed us of any intention to terminate the relevant works contract with us or to cease inviting us to tender or awarding contracts to us in the future as a result of the Wong Chuk Hang Accident. Therefore, our executive Directors consider that the Wong Chuk Hang Accident did not result in any material impact on our ability to obtain new business opportunities from our customers.

Potential impact on the status of our registration

According to the Rules and Procedures for the Register of Subcontractors issued by the Construction Industry Council, convictions under the Factories and Industrial Undertakings Ordinance in relation to serious construction site safety incidents may call for regulatory actions. As at the Latest Practicable Date, Chan Kiu had not made any guilty plea and there was no conviction in respect of the WCH Summonses, and therefore Chan Kiu is still presumed to be innocent.

The Legal Counsel is of the view that there was no legal impediment to the renewal of the registration of Chan Kiu under the Registered Specialist Trade Contractors Scheme as at the Latest Practicable Date, taking into account the Wong Chuk Hang Suspension Notice and the WCH Summonses, and that the likelihood of the registration of Chan Kiu under the Registered Specialist Trade Contractors Scheme being subject to revocation or rejection in its renewal due to the Wong Chuk Hang Accident can be considered as remote in light of the followings:

- the injured worker, being an employee of our subcontractor, worked under the instructions of our subcontractor and hence the injured worker was subject to lesser direct control of our project management staff as compared to our own general workers;
- the alleged offences include a like offence committed by another proprietor so Chan Kiu is not directly responsible for the alleged offences;

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- prior to the commencement of works, the injured worker had acknowledged in writing the receipt of some personal protection equipment; and
- based on the findings of the Safety Consultant, no material deficiency in relation to our Group's safety management system was identified in the Wong Chuk Hang Accident.

Rectifications and enhanced internal control measures on subcontractors and workers

In an effort to minimise the risks of occurrence of accidents (in particular accidents involving fatality or serious injury), our Group implemented rectifications and enhanced safety measures and internal control measures in mid-2021.

For instance, the safety measures implemented by our Group included but not limited to (a) establishing improvement implementation team; (b) carrying out method statement and risk assessment for plastering operation safety; (c) adopting and implementing a permit to work system for external wall activities; (d) designating Mr. WP Chan to oversee our safety department; and (e) setting up a safety committee at the corporate level with Mr. WP Chan as its chairperson, Mr. KS Chan as its vice-chairperson and Mr. Lai Wai Hung as its member, having the function of enforcing safety policies, reviewing and assessing safety policies, cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards, accident rates and any non-compliance with applicable safety-related laws and regulations, meetings of which should be held on a monthly basis. For qualifications and experience of Mr. WP Chan, Mr. KS Chan and Mr. Lai Wai Hung, please refer to the section headed "Directors and senior management" in this document.

In addition, to avoid the malpractice of subcontractors or workers and the breach of our safety policies, procedures and management system by them, (i) our management team conducted briefings with the relevant on-site personnel to understand the causes of the accidents and safety-related non-compliances; (ii) we had issued warning letters to the relevant subcontractors and workers who had failed to follow our in-house safety rules; (iii) we had taken disciplinary actions against subcontractors and workers who were found to have repeatedly breached or be in serious breach of our in-house safety rules; (iv) we provided additional safety training to our subcontractors after the occurrence of the safety-related non-compliances; (v) we had increased the frequency of site inspection; and (vi) we had increased the frequency of staff briefings and reminders to increase the awareness of the workers (including our employees and subcontractors) on-site in relation to occupational safety and health.

Following the implementation of our enhanced safety measures and internal control to minimise the risk of occurrence of accidents, up to the Latest Practicable Date, we had not encountered further accidents involving fatality or serious injury. In addition to the abovementioned measures, we have also taken steps to (i) review and assess our safety policies on a monthly basis by our safety committee; (ii) conduct safety audits under the Factories and Industrial Undertakings (Safety Management) Regulations on our safety management system on

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a group level on a semi-annual basis by an external safety auditor engaged by our Group; and (iii) provide frequent reminders and briefings to employees and sub-contractors to increase the awareness to occupational safety and health and our in-house safety rules. While our Directors acknowledge that systems of internal control can only provide reasonable but not absolute assurance of prevention of site accidents, our Directors are of the view that the enhanced safety measures and internal controls implemented by our Group were effective and adequate to prevent serious site accidents and underlined the Board's commitment to keep improving our Group's safety measures and to foster a safety environment going forward.

The Safety Consultant's views that each of the Lohas Park Accident and the Wong Chuk Hang Accident was isolated incident

The Safety Consultant is of the view that each of the Lohas Park Accident and the Wong Chuk Hang Accident was an isolated incident based on the following considerations:

- In respect of Chan Kiu, eight corporate safety audits, 41 project safety audits and seven project safety reviews were conducted by safety auditors or safety review officers during the Track Record Period and up to the Latest Practicable Date. Such safety audits and reviews cover a total of 17 projects sites of Chan Kiu. In particular, six safety audits were conducted on the Lohas Park Site in May 2019, November 2019, May 2020, December 2020, June 2021 and December 2021, respectively, and three safety audits were conducted on the Wong Chuk Hang Site in January 2021, July 2021 and January 2022, respectively.
- In respect of Ying Wai, nine corporate safety audits, nine project safety audits and two project safety reviews were conducted by safety auditors or safety review officers during the Track Record Period and up to the Latest Practicable Date. Such safety audits and reviews cover a total of five project sites of Ying Wai.
- All of the aforesaid safety audits and safety reviews were conducted by safety auditors or safety review officers pursuant to the Factories and Industrial Undertakings (Safety Management) Regulation ("FIU(SM)R") (Chapter 59AF of the Laws of Hong Kong). Pursuant to the requirements of the FIU(SM)R, a safety auditor shall, among others, have successfully completed a recognised training scheme conducted by a registered scheme operator and understand the requirements under legislation in Hong Kong relating to industrial safety and health matters, whereas a safety review officer shall, among others, have received appropriate training in how to evaluate or assess the overall performance of safety management system and have a good understanding of the operation of the undertaking and a good understanding of the legal requirements relating to industrial safety and health. For further details, please refer to the paragraph headed "Regulatory overview – Laws and regulations in relation to labour, health and safety" in this document.

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- In view of the qualifications required for being a registered safety auditor or safety review officer, the Safety Consultant is satisfied that the aforesaid safety audits and safety reviews were conducted by competent persons with appropriate understanding of the legal requirements relating to industrial safety and health in Hong Kong.
- Further, the Safety Consultant has reviewed the safety audit and safety review reports of both Chan Kiu and Ying Wai during the aforesaid period and noted that no material deficiencies in relation to the safety management system had been identified by the safety auditors or safety review officers.
- In respect of the safety audits conducted for the Lohas Park Site and Wong Chuk Hang Site, our Group’s safety management system and operational control for the sites had achieved “satisfactory to good” level. The audit reports for the two sites had been submitted to the Labour Department and no adverse feedback or comments were received from the Labour Department as at the Latest Practicable Date.
- In respect of the safety audits conducted for the Lohas Park Site and Wong Chuk Hang Site, the safety auditor conducted a thorough analysis on Chan Kiu’s health and safety system with a focus on its precautionary and safety measures for works at height. In particular, the safety auditor noted that (i) the use and maintenance of personal protective equipment was satisfactory and the workers generally had been wearing personal protective equipment during inspection; and (ii) safety posters and reminders regarding usage of personal protective equipment were displayed at the sites.
- The projects safety audits and safety reviews conducted cover 18 of our 19 top projects undertaken during the Track Record Period (i.e. with accumulated revenue contribution to us of HK\$40.0 million or above during the Track Record Period). Having considered the number and size of the projects that were inspected, the Safety Consultant considers that the aforesaid safety audits and safety reviews provide a representative sample base to assess the adequacy and effectiveness of our Group’s overall safety management system.
- The Safety Consultant conducted reviews on our safety management systems in the months of September, October and November 2020, as well as the months of January, May and June 2021. The review activities carried out by the Safety Consultant include, among others, (i) interviews with our executive Directors and safety supervision staff; (ii) verification of documents relating to our workplace accidents; (iii) random site visits and on-site interviews at our project sites, which include but are not limited to the Lohas Park Site. The Safety Consultant concluded that our safety management system has achieved an “excellent” level and no major or material safety deficiency is identified in our safety management system.

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Our executive Directors and the Safety Consultant consider that the adequacy and effectiveness of our safety management system shall be assessed objectively with a holistic approach in the aspects of corporate level and projects levels (with a representative sample base). Based on the aforesaid and those factors sets out in the paragraph headed “The Safety Consultant’s view on the adequacy and effectiveness of our safety management system” below in this paragraph, the Safety Consultant concluded that the Lohas Park Accident and Wong Chuk Hang Accident do not negatively reflect on the adequacy and effectiveness of our occupational health and safety management system as a whole. Despite the safety policies and measures taken by us to mitigate the risks of accidents or injuries to workers and notwithstanding that safety audits and safety reviews had been conducted regularly and that the Safety Consultant had conducted reviews on our safety management systems, the risks of workplace accidents at construction sites cannot be completely eliminated. Such risks are inherent due to the nature of works in the construction industry. Wet trades works are labour intensive in nature and involve various types of works such as, plastering, tile laying, brick laying, floor screeding and marble works. Inevitably, wet trades works subcontractors have to rely on site workers to carry out the relevant manual works. Our executive Directors and the Safety Consultant are of the view that while we have implemented an adequate and effective safety management system, we cannot fully control and monitor each worker’s behaviour or practice when he/she carries out site works. Hence, it is not feasible for us to completely eliminate the possibility of malpractice or inadvertent oversight on the part of individual workers. Further, based on latest available information, our Group recorded accident rate of approximately 14.8, 15.8, 10.9 and 22.8 for each of the four years ended 31 December 2021 which were lower than the construction industry average in Hong Kong for the corresponding year (the industrial accident rate in the construction industry in Hong Kong for the year ended 31 December 2021 had not been published at the Latest Practicable Date). In particular, based on the statistics published by the Labour Department, accidents that involved falling from height accounted for approximately 10.6% of the total number of reported accidents in the construction industry during the three years ended 31 March 2021 *(Note)*. Meanwhile, the number of our accidents that involved falling from heights accounted for approximately 3.6% of our total number of accidents in the corresponding period. As such, the frequency of our accidents involving falling from height was lower as compared to the industry average in Hong Kong.

Note: Statistics for the year ended 31 March 2022 has not been published by the Labour Department as at the Latest Practicable Date.

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The Sponsor's views

The Sponsor is of the view that the accidents, safety-related non-compliances and civil and criminal litigations of our Group as disclosed in the paragraphs headed "Occupational health and work safety", "Legal compliance" and "Litigations and claims" in this section do not in totality negatively impugn on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules based on the following factors:

- the Safety Consultant is of the view that the workplace accidents involving our employees and/or our subcontractors' employees during the Track Record Period and up to the Latest Practicable Date were primarily attributable to the workers failing to pay attention to the site environment or the malpractice of the workers in failing to comply with the applicable safety policies, procedures and regulations of our Group;
- the Safety Consultant is of the view that the workplace accidents involving our employees and/or our subcontractors' employees during the Track Record Period and up to the Latest Practicable Date did not involve any intentional misconduct, fraud or dishonesty on the part of our Group or our Directors or any material deficiencies in our Group's safety management system;
- the Safety Consultant is of the view that the existing occupational health and safety management system of our Group is adequate and effective;
- upon identifying the safety-related non-compliance incidents, we have reviewed our procedure for accident reporting and handling of work injuries, and have taken steps to enhance our internal control and safety measures to prevent recurrence of similar incidents. Further, our Group has taken rectifications and enhanced internal control measures on subcontractors and workers to avoid their malpractice and the breach of our safety policies, procedures and management system by them;
- our executive Directors are committed to enhancing our occupational health and work safety which can be demonstrated by: (i) the designation of Mr. WP Chan in May 2021 to oversee our safety department which is primarily responsible for the implementation of our safety management system at project sites; and (ii) our Group has set up a safety committee at the corporate level in May 2021 with Mr. WP Chan as its chairperson, Mr. KS Chan as its vice-chairperson and Mr. Lai Wai Hung as its member, having the function of enforcing safety policies, reviewing and assessing safety policies, cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards, accident rates and any non-compliance with applicable safety-related laws and regulations, meeting of which is to be held on a monthly basis. For qualifications and experience of Mr. WP Chan, Mr. KS Chan and Mr. Lai Wai Hung, please refer to the section headed "Directors and senior management" in this document;

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- systems of internal control only provide reasonable assurance of prevention of non-compliance incidents and/or accidents, and it is not possible to eliminate the possibility of the occurrence of similar safety-related non-compliance and/or accidents, which are common in the construction industry;
- the accident rate of our Group for each of the three years ended 31 December 2020 and the fatality rate of our Group for the year ended 31 December 2018 as disclosed in the paragraph headed "Occupational health and work safety – Analysis of accident rates" were lower than the corresponding construction industry average in Hong Kong;
- the Safety Consultant has assessed and confirmed that rectification actions have been implemented to avoid recurrence of the safety-related non-compliance incidents;
- the Legal Counsel is of the view that there is no basis to suggest that the occurrence of the accidents, safety-related non-compliances and the civil and criminal litigations involved any dishonesty so there is nothing to impugn the characters of our Directors. Further, the actual and potential civil litigations are mainly due to industrial accidents so there is no basis to suggest that there was any intentional breach of the law affecting the law-compliant manner of our Group;
- the incidents leading to the safety-related non-compliances were because the relevant subcontractors of our Group failed to follow our applicable safety policies, procedures and regulations;
- the Legal Counsel is of the view that the most common reason for an accident to happen is human error or inadvertency on the part of the persons directly in control of the workplaces so there is no direct basis to suggest any lack of competence and capacity on the part of our Directors;
- the Legal Counsel is of the view that the safety-related non-compliance incidents cast no light on the management and operations of our Group and the non-compliance incidents were not material nor systemic in nature;
- the Legal Counsel is of the view that our Group does not have a large number of safety-related non-compliances. During the Track Record Period and up to the Latest Practicable Date, there were just four safety-related non-compliances happened on three different dates. In addition, the intervals between those three single incidents or events were not short. Further, all safety-related non-compliances only resulted in monetary fines, and our executive Directors consider the fine amounts are insignificant to our business. There was no imprisonment sentence imposed on our Directors or the responsible personnel of our Group in respect of the non-compliances nor was any of them prosecuted as a result of the non-compliances. The Legal Counsel is of the view that the safety-related non-compliances did not and will not adversely affect the renewal of the registrations of our Group under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council; and

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- the Legal Counsel takes the view that we would have a valid defence to the ongoing criminal litigations and have a reasonable chance of acquittal subject to the evidence to be adduced in court and testimony of witnesses during the trial hearings.

Further, the Sponsor is of the view that the existing occupational health and safety management system of our Group is adequate and effective to ensure ongoing and future compliance with relevant safety regulations, having considered that:

- the Safety Consultant is of the view that the existing occupational health and safety management system of our Group is adequate and effective;
- there had been no new fatal accident since the occurrence of the Lohas Park Accident in December 2019 and the engagement of the Safety Consultant by our Group up to the Latest Practicable Date;
- the historical accident rates of our Group were lower than the corresponding construction industry average in Hong Kong; and
- our Directors confirmed that our Group will continue to allocate adequate resources and use its best endeavours to uphold and improve its safety management system on an on-going basis in order to reduce the inherent risks relating to safety issues to the lowest possible level, notwithstanding that systems of internal control only provide reasonable assurance of prevention of non-compliance incidents and/or accidents, and that it is not possible to eliminate the possibility of the occurrence of similar safety-related non-compliance and/or accidents, which are common in the construction industry.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), claims of our Group on or before the date on which the [REDACTED] becomes unconditional, including the potential criminal liabilities and penalties and all legal costs and expenses which may arise out of the Lohas Park Accident and the Wong Chuk Hang Accident. Further details on the Deed of Indemnity are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this document.

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Analysis of accident rates

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

	Industry average in Hong Kong <i>(Note 1)</i>	Our Group <i>(Notes 2 and 3)</i>
From 1 January to 31 December 2018		
Accident rate per 1,000 workers	31.7	14.8
Fatality rate per 1,000 workers	0.125	Nil
From 1 January to 31 December 2019		
Accident rate per 1,000 workers	29.0	15.8
Fatality rate per 1,000 workers	0.157	1.3
From 1 January to 31 December 2020		
Accident rate per 1,000 workers	26.1	10.9
Fatality rate per 1,000 workers	0.185	Nil
From 1 January to 31 December 2021		
Accident rate per 1,000 workers	N/A ^(Note 4)	22.8
Fatality rate per 1,000 workers	N/A ^(Note 4)	Nil
From 1 January 2022 to 31 March 2022		
Accident rate per 1,000 workers	N/A ^(Note 4)	5.1
Fatality rate per 1,000 workers	N/A ^(Note 4)	Nil

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.21 (August 2021) published by Occupational Safety and Health Branch of the Labour Department.
2. Our Group’s accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers in our Group’s projects during the year/period.
3. The above data provided includes the employees of our Group and workers of subcontractors during the Track Record Period.
4. The relevant data had not been published as at the Latest Practicable Date.

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The following table sets forth our Group's lost time injuries frequency rate ("LTIFR") during the Track Record Period:

	LTIFR <i>(Note)</i>
For the year ended 31 March 2019	6.8
For the year ended 31 March 2020	4.0
For the year ended 31 March 2021	4.8
For the year ended 31 March 2022	9.4

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year by 1,000,000 divided by the number of hours worked by site workers over the same year. It is assumed that the working hour of each worker is 9 hours per day.
2. The above data provided includes the employees of our Group and workers of subcontractors during the Track Record Period.

The Safety Consultant's view on the adequacy and effectiveness of our safety management system

Based on the safety reviews on our existing occupational health and safety management system, the Safety Consultant is of the view that the existing occupational health and safety management system of our Group is adequate and effective, having considered:

- (i) the workplace accidents involving our employees and/or our subcontractors' employees during the Track Record Period and up to the Latest Practicable Date were primarily attributable to the workers failing to pay attention to the site environment or the malpractice of the workers in failing to comply with the applicable safety policies, procedures and regulations of our Group;
- (ii) the workplace accidents involving our employees and/or our subcontractors' employees during the Track Record Period and up to the Latest Practicable Date did not involve any intentional misconduct, fraud or dishonesty on the part of our Group or our executive Directors or any material deficiencies in our Group's safety management system;
- (iii) site inspections are carried out by our safety officer regularly to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations and the results are satisfactory;
- (iv) we have conducted safety briefings to our employees and our subcontractors' employees before their commencement of works;

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- (v) regular safety meetings are held with our employees and our subcontractors' employees;
- (vi) safety trainings are provided to our employees and our subcontractors' employees;
- (vii) risk assessments are regularly conducted by our safety officer;
- (viii) safety audits under the Factories and Industrial Undertakings (Safety Management) Regulations had been conducted on our safety management system on a group level on a semi-annual basis by an external safety auditor engaged by our Group and the external safety auditor was satisfied with the findings on our safety management system;
- (ix) based on the scoring system of the mandatory safety management audit rating tool and as assessed by the Safety Consultant, our Group scored 565 marks out of a possible 675 marks for the ten safety audit requirements as set out in Parts 1 and 2 of Schedule 4 of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59F of the Laws of Hong Kong), equivalent to an overall score of 83.7%. The Safety Consultant concludes that our safety management system has achieved an "excellent" level and no major or material safety deficiency is identified in our current safety management system;
- (x) our Group recorded accident rate of approximately 14.8, 15.8, 10.9 and 22.8 for each of the four years ended 31 December 2021 which were lower than the construction industry average in Hong Kong for the corresponding year (the industrial accident rate in the construction industry in Hong Kong for the year ended 31 December 2021 had not been published as at the Latest Practicable Date);
- (xi) our Group had adopted various safety measures including but not limited to (a) establishing improvement implementation team; (b) carrying out method statement and risk assessment for plastering operation safety; (c) adopting and implementing a permit to work system for external wall activities; (d) designating Mr. WP Chan to oversee our safety department; and (e) setting up a safety committee at the corporate level with Mr. WP Chan as its chairperson, Mr. KS Chan as its vice-chairperson and Mr. Lai Wai Hung as its member, having the function of enforcing safety policies, reviewing and assessing safety policies, cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards, accident rates and any non-compliance with applicable safety-related laws and regulations, meetings of which should be held on a monthly basis. For qualifications and experience of Mr. WP Chan, Mr. KS Chan and Mr. Lai Wai Hung, please refer to the section headed "Directors and senior management" in this document; and
- (xii) systems of internal control only provide reasonable assurance of prevention of non-compliance incidents and/or accidents, it is not possible to eliminate the possibility of the occurrence of similar safety-related non-compliance and/or accidents, which are common in the construction industry.

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RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

PROPERTY

As at the Latest Practicable Date, we did not own any property and we leased the following property in Hong Kong for our operations, details of which are set out as follows:

Address	Landlord	Usage	Key terms of tenancy
Unit 909, 9th Floor, Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong	An independent third party	For general office use	Monthly rental of HK\$44,770 with tenancy period from 4 December 2021 to 3 December 2023

As at 31 March 2022, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group was the registered owner of a domain name and had registered a trademark in Hong Kong. For further information, please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

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LEGAL COMPLIANCE

Save as disclosed below, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is material or systemic in nature.

Non-compliance with the Construction Sites (Safety) Regulations

During the Track Record Period and up to the Latest Practicable Date, our Group was convicted of five summonses in respect of non-compliance with the Construction Sites (Safety) Regulations. A summary of the aforesaid summonses is set out below:

No.	Date of incident	Offences	Relevant laws and regulations	Consequences
1.	7 May 2018	Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more.	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Ying Wai was fined HK\$7,000 which was fully settled.
2.	7 May 2018	Failing to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work where the construction work was being carried out was provided and properly maintained.	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Ying Wai was fined HK\$10,000 which was fully settled.
3.	8 April 2019	Failing to ensure that a workman used the suitable goggles which were provided for the protection of the workman.	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Chan Kiu was fined HK\$5,000 which was fully settled.

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No.	Date of incident	Offences	Relevant laws and regulations	Consequences
4.	8 July 2020	Failing to take all reasonable steps to ensure that no workman employed to carry out the construction work remained on the site unless the workman was wearing a suitable safety helmet.	Regulations 48(1A)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Ying Wai was fined HK\$2,500 which was fully settled.
5.	17 May 2021	Failing to take all reasonable steps to ensure that no workman employed to carry out the construction work remained on the site unless the workmen were wearing suitable safety helmets.	Regulations 48(1A)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Chan Kiu was fined HK\$3,000 which was fully settled.

All the incidents leading to the summonses above were related to the employees of our subcontractors, and arose because the relevant subcontractors failed to properly ensure their workers to strictly follow our applicable safety policies, procedures and regulations. For details of our occupational health and safety policies, please refer to the paragraph headed "Occupational health and work safety" in this section. The offences under each of the non-compliance incidents was of a different nature in that each of the offences was related to a different aspect of safety precaution steps required to be taken. Based on the aforesaid and as advised by the Legal Counsel, our Directors are of the view, and the Sponsor concurs, that these summonses cast no light on the management and operations of our Group and the non-compliance incidents were not material nor systemic in nature, based on the following factors:

- (a) the fines were of relatively small amounts and there is no basis to suggest that the non-compliance incidents have/had any material financial and/or operational impact on our Group;
- (b) none of the non-compliance incidents involved workplace accidents or injuries to our workers or our subcontractors' workers;

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- (c) during the Track Record Period and up to the Latest Practicable Date, there were only five safety-related non-compliances which happened on four different sites; and
- (d) the non-compliance incidents do not reflect negatively the ability or tendency to operate in a compliant manner of our Group and our Directors.

Non-compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

According to section 15(1A) of the Employees' Compensation Ordinance, employers shall report work injuries of their employees to the Commissioner of Labour not later than 14 days after the accident.

During the Track Record Period and up to the Latest Practicable Date, there were five instances where we failed to report work injuries of our employees within the prescribed time limit under the Employees' Compensation Ordinance.

Date of accident	Nature of injuries according to the Form 2	Extent of delay in reporting
17 May 2018	Neck fracture as the worker was struck by a falling window frame	54 days
2 August 2018	Bruise on right leg as a temporary fence fell onto and hit the worker when she was moving it	53 days
2 November 2018	Bruise on left forearm as one leg of a hop-up platform fell onto and hit the worker when he was folding the platform	6 days
21 February 2019	Bruise on left wrist as the worker slipped and fell	4 days
5 July 2019	Injured by having a finger pinched when the worker was closing the door	220 days

As confirmed by our Directors, the non-compliance incidents were mainly because (a) it took time to communicate with the relevant main contractor to prepare the report, which involved preliminary assessment of the reason(s) for the accident, collecting information for the report such as the exact time of the accident, the work performed by the injured worker, the name of the insurer and the insurance policy number, etc., and submitting the report to the main contractor for review before filing the same; and (b) inadvertent oversight.

Under section 15(6) of the Employees' Compensation Ordinance, the maximum penalty for an employer who without reasonable excuse fails to give notice is a fine at HK\$50,000 for each

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offence. As advised by the Legal Counsel, the non-compliance incidents were not material in nature taking into consideration the followings:

- (a) we have subsequently rectified the non-compliance by completing the requisite filings with the Labour Department and the employees' rights under the Employees' Compensation Ordinance were not prejudiced;
- (b) as at the Latest Practicable Date, there had not been any prosecution initiated against our Group or our officers, nor had any of them been subject to any penalty or enforcement actions;
- (c) the late filings have been time barred from prosecution; and
- (d) the late filings cannot be a negative reflection of our ability or tendency to operate in a compliant manner since the reason for the delays may be oversight, inadvertency or human error.

Enhanced internal control measures to prevent recurrence of non-compliance incidents

Upon identifying the abovementioned non-compliance incidents, we have reviewed our procedures for accident reporting and handling of work injuries, and have taken steps to enhance our internal control and safety measures to prevent recurrence of similar incidents, including the following:

- (a) enhancing our site accident reporting procedures to thoroughly set out the procedures and workflow to report an accident in work sites and assigning the responsible contact persons for each work site since mid-2020 such that the senior management and project management team can be timely reported of site accidents for handling of work injuries and accident reporting to the Labour Department. Where there is prolonged communication in the reporting of the site accident, our executive Directors shall be notified and shall promptly follow up with the relevant staff and/or main contractor to ensure timely reporting of the site accident to the Labour Department. In addition, we implemented a checklist for follow-up actions for accidents in mid-2020, and such checklist includes the requirement to report work injuries to the Labour Department within 14 days after the accident and is reviewed by the project manager to ensure adherence to our Group's enhanced internal control measures;
- (b) establishing and implementing a site accident reporting channel by setting up an instant message application for accident reporting which include all our subcontractors since mid-2020;
- (c) designating Mr. WP Chan to oversee our safety department which is primarily responsible for implementing the safety management system at our project sites in May 2021;

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- (d) setting up a safety committee in May 2021 at the corporate level with Mr. WP Chan as its chairperson, Mr. KS Chan as its vice-chairperson and Mr. Lai Wai Hung as its member, having the function of enforcing safety policies, reviewing and assessing safety policies, cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards, accident rates and any non-compliance with applicable safety-related laws and regulations, meetings of which should be held on a monthly basis. For qualifications and experience of Mr. WP Chan, Mr. KS Chan and Mr. Lai Wai Hung, please refer to the section headed “Directors and senior management” in this document;
- (e) engaging a qualified external safety consultant to provide a specific training session to our Directors, members of our senior management and safety department;
- (f) engaging a qualified external safety consultant to conduct regular assessments and provide recommendations to our safety committee;
- (g) keep enhancing our existing training programme and providing training sessions to all employees and our subcontractors’ representatives with respect to accident reporting procedures, accident statistics and analysis to enhance their safety awareness;
- (h) appointed a qualified safety officer on 31 May 2021 to specifically oversee the investigation of our Group’s accidents;
- (i) employed an additional full-time safety officer who is registered under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations on 3 February 2021 and a full-time safety supervisor who holds a Certificate in Safety & Health for Supervisor (Construction) on 19 July 2021 specifically for conducting site inspection. The newly employed safety officer and safety supervisor are primarily responsible for ensuring all site workers deployed by our Group and our subcontractors strictly follow our safety guidelines and instructions in order to reduce the likelihood of recurrence of similar accidents and non-compliance incidents in the future;
- (j) established our own safety promotion programme and participated in safety promotion programme jointly with main contractor in order to recognise and acknowledge subcontractors, supervisor and worker with good safety performance record;
- (k) inviting our main contractors to attend our regular meetings with our subcontractors to evaluate the cases of injuries, ill health, losses such as damage to property, incidents with the potential to cause injuries, ill health or losses, hazards and weaknesses in or non-compliance with performance standards and determine if any additional safety measures are necessary; and

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- (1) increasing the frequency of site inspections ranging from daily to weekly basis, depending on the scale and stages of the projects as well as the nature of site works involved. During the site inspection, our safety supervisor will conduct general safety checks on access and egress, working at height, lifting appliances and lifting gear, electricity, fire prevention, health, machinery, personal protective equipment, and will make recommendations accordingly.

Following the implementation of our enhanced internal control measures to address safety-related non-compliance in mid-2021 and non-compliance for failing to report work injuries within the prescribed time limit in mid-2020, up to the Latest Practicable Date, our Group had not encountered further incidents leading to safety-related non-compliances and non-compliances for failing to report work injuries within the prescribed time limit. In addition to the abovementioned measures, we have also taken steps to (i) review and assess our safety policies on a monthly basis by our safety committee; (ii) conduct safety audits under the Factories and Industrial Undertakings (Safety Management) Regulations on our safety management system on a group level on a semi-annual basis by an external safety auditor engaged by our Group; and (iii) provide frequent reminders and briefings to employees and sub-contractors to increase the awareness to occupational safety and health and our in-house safety rules. While our Directors acknowledge that systems of internal control can only provide reasonable but not absolute assurance of prevention of non-compliance incidents, our Directors are of the view that the enhanced internal controls implemented by our Group were effective and adequate to address past non-compliance incidents and underlined the Board's commitment to keep improving our Group's safety measures and to foster an environment for being fully compliant going forward.

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules having considered the fact that (i) the Safety Consultant has assessed and confirmed that those rectification actions have been implemented as stated above to avoid recurrence of the non-compliance incidents; and (ii) the above non-compliance incidents were neither intentional nor wilful, did not involve any fraudulent act or dishonesty on the part of our Directors and did not raise any question as to the integrity of our Directors.

The Sponsor, after considering the above and having reviewed the rectification actions implemented by our Group, concurs with the view of our Directors that (i) the abovementioned non-compliance incidents would not affect the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules; and (ii) the non-compliance incidents would not give rise to the concerns on the ability of our Directors to oversee our Company's operation and the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

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LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in a number of claims, litigations and potential claims against our Group in the ordinary and usual course of our business. Set out below are the details of (i) the ongoing civil litigations against our Group as at the Latest Practicable Date; (ii) the ongoing criminal litigations against our Group as at the Latest Practicable Date; (iii) the litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date; and (iv) the potential claims against our Group as at the Latest Practicable Date.

Ongoing civil litigations against our Group as at the Latest Practicable Date

The following table sets forth details of the ongoing civil litigations against our Group as at the Latest Practicable Date:

No.	Nature of the claim	Particulars of the claim	Status	Covered by insurance
1.	Labour Tribunal claim	It was alleged by an employee of our Group that our Group terminated her employment contract without sufficient notice or payment in lieu of notice, dismissed her without any valid reason, failed to grant her statutory holidays, grant annual leave and pay wages, and wrongfully deducted her wages.	By an order of the Labour Tribunal dated 12 December 2018, the case is adjourned indefinitely and both parties may apply to resume the hearing.	No ^(Note 1)
2.	Personal injury claim	It was alleged that on or around 25 October 2017, the plaintiff, an employee of our Group, sprained his back in the course of employment when he was moving bags of construction materials.	There is going to be a checklist review hearing on 21 July 2022.	Yes

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No.	Nature of the claim	Particulars of the claim	Status	Covered by insurance
3.	Personal injury claim	It was alleged that on 2 August 2018, the plaintiff, an employee of our Group, suffered from right sciatica, lower back pain and right foot pain in the course of employment. While the applicant was removing a pile of debris on the balcony, sparks caused by welding work on the balcony of an upper floor fell and she twisted her waist to the right to throw the items on her hand. Some of these items rebounded and hit the applicant's right foot and her waist and lower back were also sprained and injured.	There is going to be a checklist review hearing on 24 October 2022.	No ^(Note 2)
4.	Personal injury claim	It was alleged that on or around 2 November 2018, the plaintiff, an employee of our Group, sustained injury to his left arm and left elbow in the course of employment as one leg of a hop-up platform fell onto and hit him when he was folding the platform.	There is going to be a checklist review hearing on 14 December 2022.	Yes
5.	Employees' compensation claim	It was alleged that on 10 November 2018, the applicant, an employee of a subcontractor of our Group, sustained injury to his right thigh in the course of employment as construction materials fell when he was moving them.	The case is still ongoing and is defended by Chan Kiu's insurer.	Yes
6.	Personal injury claim	It was alleged that on or around 30 January 2019, the plaintiff, an employee of a subcontractor of our Group, sustained injury to her neck, shoulder and back in the course of employment as a pair of forceps or a similar tool fell from above and landed on the back of her neck when she was shoveling the sand.	There is going to be a checklist review hearing on 10 January 2023.	Yes

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No.	Nature of the claim	Particulars of the claim	Status	Covered by insurance
7.	Personal injury claim	It was alleged that on 21 February 2019, the plaintiff, an employee of our Group, sustained injury to his left wrist in the course of employment as he slipped and fell.	There is going to be a checklist review hearing on 16 August 2022.	Yes
8.	Employees’ compensation claim	It was alleged that on 22 July 2019, the applicant, an employee of a subcontractor of our Group, sustained injury to his left shoulder, left low chest and left hand in the course of employment as he stepped on an iron bar placed on the floor and fell down.	The case is still ongoing and is defended by Chan Kiu’s insurer.	Yes
9.	Employees’ compensation claim	It was alleged that on 14 October 2020, the applicant, an employee of our Group, sustained injury to his left hand in the course of employment as the applicant’s left hand was hit and pressed by a trolley and a pile of falling sand bricks when he was pulling the trolley out of a material hoist.	As at the Latest Practicable Date, the first hearing was scheduled to take place on 11 November 2022.	Yes

Notes:

- The claimed amount is approximately HK\$12,000, together with terminal payment and an award for compensation under section 32P of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) which are to be assessed. Our executive Directors confirmed that the employees’ compensation insurance, third party liability insurance and contractor’s all risks insurance taken out by the main contractors and the employees’ compensation insurance and third-party liability insurance taken out by us do not cover Labour Tribunal claims.
- Our Group entered into an agreement with the relevant main contractor in respect of the respective liabilities for, if any, and contributions towards the employees’ compensation claim and the common law claim arising from the same accident (collectively, the “**Claims**”). In this regard, we had made a provision of approximately HK\$0.6 million in respect of the Claims during FY2019/20. During FY2021/22, the employees’ compensation claim in respect of this case was settled. Please refer to the paragraph headed “Litigation against our Group settled during the Track Record Period and up to the Latest Practicable Date” below in this section for further details.

As advised by the Legal Counsel, the aforesaid claims (except for claim number 1 and claim number 3 as disclosed in the notes above) were covered by insurance policies taken out by the relevant main contractors. As such, our Directors consider that the aforesaid claims will not have any material adverse impact on our operation and financial performance.

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Ongoing criminal litigations against our Group as at the Latest Practicable Date

The following table sets forth details of the ongoing criminal litigations against our Group as at the Latest Practicable Date:

Nature of the charges	Relevant laws and regulations	Status	Potential legal consequences and maximum penalties
<i>Summonses issued to Chan Kiu</i>			
(i) Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more.	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	As at the Latest Practicable Date, the mention hearing for summonses (i) to (iv) was scheduled to take place on 25 July 2022	<p>Summonses (i) to (iv) were in respect of the Wong Chuk Hang Accident, the details of which were set out in the paragraph headed “Occupational health and work safety – Wong Chuk Hang Suspension Notice in May 2021” in this section.</p> <p>According to the Construction Sites (Safety) Regulations, the maximum penalty against our Group is a fine of HK\$200,000 for each of (i) and (ii).</p>
(ii) Failing to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work where the construction work was being carried out was provided and properly maintained.	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations		<p>According to the Factories and Industrial Undertakings Ordinance, the maximum penalty against our Group is a fine of HK\$500,000 for each of (iii) and (iv).</p>
(iii) Failing to provide and maintain a system of work that were, so far as was reasonably practicable, safe and without risks to health of person employed at the industrial undertaking.	Section 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance		<p>The total maximum penalty against our Group for the WCH Summonses (i.e. (i) to (iv)) is an aggregate fine of HK\$1,400,000. The Legal Counsel is of the view that, in the event Chan Kiu is convicted in the WCH Summonses, it is remote that Chan Kiu would be subject to the total maximum penalty having considered that: (a) in respect of (i) and (ii), the worker was not permanently injured as a result of the alleged offences; (b) in respect of (iii) and (iv), the basis of prosecution is that Chan Kiu is guilty of a like offence committed by another proprietor, being Chan Kiu’s subcontractor and the direct employer of the injured worker, so Chan Kiu is not directly responsible for the alleged offences; and (c) the alleged offences in the WCH Summonses are not the worst type of the offences warranting maximum penalties. As advised by the Legal Counsel, with reference to precedent cases, in the event that Chan Kiu is convicted in the WCH Summonses, the estimated amount of fines for the WCH Summonses is approximately HK\$347,000.</p>

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Nature of the charges	Relevant laws and regulations	Status	Potential legal consequences and maximum penalties
<p>(iv) Failing to provide such information, instruction and training as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person employed at the industrial undertaking.</p>	<p>Section 6A(1), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance</p>	<p></p>	<p>The Legal Counsel has further advised that Chan Kiu can only be sentenced to a fine in the event of conviction as it is a limited company, and that none of our Directors will be exposed to any penalty including imprisonment as they are not named as defendants in the WCH Summonses.</p>
<p>(v) Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more.</p>	<p>Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations</p>	<p>As at the Latest Practicable Date, the mention hearing is scheduled to take place on 21 July 2022.</p>	<p>According to the Construction Sites (Safety) Regulations, the maximum penalty against our Group is a fine of HK\$200,000 for (v).</p> <p>As advised by the Legal Counsel, with reference to the statistics published by the Labour Department, in the event that Chan Kiu is convicted in (v), the estimated amount of fines for (v) is approximately HK\$22,000. The Legal Counsel has further advised that Chan Kiu can only be sentenced to a fine in the event of conviction as it is a limited company, and that none of our Directors will be exposed to any penalty including imprisonment as they are not named as defendants in (v).</p>

As of the Latest Practicable Date, Chan Kiu had not made any guilty plea and there was no conviction in respect of the five alleged offences, and therefore Chan Kiu is still presumed to be innocent.

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Litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date

The following table sets forth details of the litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date:

No.	Nature of the claim	Particulars of the claim	Covered by insurance
1.	Labour Tribunal claim	It was alleged by an employee of a subcontractor of our Group that our Group failed to grant her statutory holidays.	No ^(Notes 1 and 4)
2.	Labour Tribunal claim	It was alleged by an employee of our Group that our Group terminated his employment contract without sufficient notice or payment in lieu of notice, and failed to grant him statutory holidays and annual leave.	No ^(Notes 2 and 4)
3.	Labour Tribunal claim	It was alleged by an employee of our Group that our Group terminated his employment contract without sufficient notice or payment in lieu of notice.	No ^(Notes 3 and 4)
4.	Personal injury claim	It was alleged that on 13 February 2014, the plaintiff, an employee of our Group, sustained injury to his head and knee in the course of employment as he lost balance and fell into a trench when tiling a wall.	Yes
5.	Personal injury claim	It was alleged that on 4 August 2014, the plaintiff, an employee of our Group, sustained injury to his head and neck in the course of employment as an I-beam which was being installed at height suddenly dropped down and hit him.	Yes
6.	Employees' compensation claim	It was alleged that on 23 May 2016, the applicant, an employee of a subcontractor of our Group, sprained his back in the course of employment as he was moving bags of cement.	Yes

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No.	Nature of the claim	Particulars of the claim	Covered by insurance
7.	Employees' compensation claim	It was alleged that on 14 February 2017, the applicant/plaintiff, an employee of our Group, sustained left back contusion injury in the course of employment as a few metal pipes fell down and hit him.	Yes
8.	Personal injury claim		
9.	Employees' compensation claim	It was alleged that on 25 April 2017, the applicant, an employee of our Group, sustained injury to her right hand in the course of employment as her hand was hurt by an electric drill machine.	Yes
10.	Employees' compensation claim	It was alleged that on 11 July 2017, the applicant/plaintiff, an employee of our Group, sustained injury in the course of employment as she was tripped by adhesive tape and sundries and fell on the fence of the staircase when moving a pack of shotcrete.	Yes
11.	Personal injury claim		
12.	Employees' compensation claim	It was alleged that on or around 25 October 2017, the applicant, an employee of our Group, sprained his back in the course of employment when he was moving bags of construction materials.	Yes
13.	Employees' compensation claim	It was alleged that on 28 October 2017, the applicant/plaintiff, an employee of our Group, sustained injury to his right ring finger and little finger in the course of employment as a stone tile that was vertically standing fell and hit him when he was moving stone tiles.	Yes
14.	Personal injury claim		
15.	Employees' compensation claim	It was alleged that on 2 August 2018, the applicant, an employee of our Group, suffered from right sciatica, lower back pain and right foot pain in the course of employment as she was removing a pile of debris on the balcony, sparks caused by welding work on the balcony of an upper floor fell and she twisted her waist to the right to throw the items on her hand. Some of these items rebounded and hit the applicant's right foot and her waist and lower back were also sprained and injured.	No ^(Note 5)

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No.	Nature of the claim	Particulars of the claim	Covered by insurance
16.	Employees' compensation claim	It was alleged that on or around 2 November 2018, the applicant, an employee of our Group, sustained injury to his left arm and left elbow in the course of employment as one leg of a hop-up platform fell onto and hit him when he was folding the platform.	Yes
17.	Employees' compensation claim	It was alleged that on 16 November 2018, the applicant/plaintiff, an employee of a subcontractor of our Group, sustained injury to his left ring finger in the course of employment as construction materials fell suddenly when he was moving them.	Yes
18.	Personal injury claim	It was alleged that on 30 January 2019, the applicant, an employee of a subcontractor of our Group, sustained injury to her neck, shoulder and back in the course of employment as a forceps or a similar tool fell down and hit her when she was using an iron spade to shove sand.	Yes
19.	Employees' compensation claim	It was alleged that on 21 February 2019, the applicant, an employee of our Group, sustained injury to his left wrist in the course of employment as he slipped and fell.	Yes
21.	Employees' compensation claim	It was alleged that on 1 June 2019, the applicant/plaintiff, an employee of a subcontractor of our Group, sustained injury to the left side of his face and left hand in the course of employment as a piece of plywood fell from above him and hit him when he was carrying out plastering works.	Yes
22.	Personal injury claim	It was alleged that our Group has failed to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted
23.	Criminal litigation <i>(Note 6)</i>	It was alleged that our Group has failed to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted

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No.	Nature of the claim	Particulars of the claim	Covered by insurance
24.	Criminal litigation <i>(Note 6)</i>	It was alleged that our Group has failed to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work where the construction work was being carried out was provided and properly maintained. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted
25.	Criminal litigation <i>(Note 6)</i>	It was alleged that our Group has failed to provide and maintain a system of work that was, so far as was reasonably practicable, safe and without risks to health of the person employed at the industrial undertaking. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted
26.	Criminal litigation <i>(Note 6)</i>	It was alleged that our Group has failed to provide such information, instruction, training and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person employed at the industrial undertaking. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted
27.	Criminal litigation <i>(Note 6)</i>	It was alleged that our Group has failed to develop implement and maintain in respect of the relevant industrial undertaking a safety management system which contained the elements specified in Schedule 4 of the Factories and Industrial Undertakings (Safety Management) Regulation. During the trial, the prosecution offered no evidence and the summons was dismissed. As advised by the Legal Counsel, Chan Kiu was acquitted.	N/A as acquitted

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Notes:

1. The claim was withdrawn on 31 May 2018.
2. The claim was settled for a settlement amount of approximately HK\$22,000 on 2 October 2018.
3. The claim was settled for a settlement amount of approximately HK\$16,000 on 8 March 2021.
4. Our executive Directors confirmed that the employees’ compensation insurance, third party liability insurance and contractor’s all risks insurance taken out by the main contractors and the employees’ compensation insurance and third-party liability insurance taken out by us do not cover Labour Tribunal claims.
5. Our Group entered into an agreement with the relevant main contractor in respect of the respective liabilities for the claim, and the compensation borne by our Group was approximately HK\$320,000.
6. The criminal litigations were in relation to Lohas Park Accident in December 2019, the details of which are set out in the paragraph headed “Occupational health and work safety – Fatal accident occurred in December 2019” in this section.

Potential claims against our Group as at the Latest Practicable Date

Personal injuries suffered by our employees or by our subcontractors’ employees as a result of accidents arising out of and in the course of their employment may lead to employees’ compensation claims and common law personal injury claims against us. Potential claims refer to those claims that have not commenced against our Group but are within the limitation period of two years (for employees’ compensation claims) or three years (for common law personal injury claims) from the date of the relevant incidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).

As at the Latest Practicable Date, there were 16 accidents resulting in injury to our employees or employees of our subcontractors which may give rise to potential litigations in relation to employees’ compensation claims and/or common law personal injury claims against our Group. For details, please refer to the paragraph headed “Occupational health and work safety” in this section. The table below sets out a summary of the expiry of limitation period of the aforesaid work injury accidents:

Year	Number of employees’ compensation claims which limitation period will expire	Number of common law personal injury claims which limitation period will expire
From the Latest Practicable Date to 31 March 2023	4	4
FY2023/24	5	5
FY2024/25	2	5
FY2025/26	–	2
Total	11	16^(Note)

Note: Apart from claim no. 5, claim no. 8 and claim no. 9 set out in the paragraph “Litigations and claims – Ongoing civil litigations against our Group as at the Latest Practicable Date” in this section, the ongoing civil litigations have not been included in the accidents which may give rise to potential claims.

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As no court proceedings for such potential claims have been commenced, the Legal Counsel is of the view that the likely quantum of such potential claims cannot be assessed at this stage. As advised by the Legal Counsel, the amount of such potential claims to be borne by our Group, if any, shall be covered by insurance policies maintained by the relevant main contractors. As such, our Directors consider that such potential claims will not have any material adverse impact on our operation and financial performance and no provision had been made in respect of such potential claims.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us as at the Latest Practicable Date.

Indemnity executed by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any legal proceedings instituted by or against our Group and non-compliance by our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph headed "E. Other Information – 1. Tax and other indemnities" in Appendix IV to this document for details.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MATTERS

Environmental matters

We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we have established an environmental management system in conformance with ISO 14001 international standard in 2018. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

Set out below are policies in addressing different environmental issues pertinent to our Group:

A. *Emission*

Exhaust gas emissions

As a wet trades works contractor, our exhaust gas emissions are mainly emission generated by our forklifts, which our executive Directors consider the relevant exhaust gas emissions generated are relatively insignificant. Our Group strives to reduce the exhaust gas generated from our operation as much as possible.

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GHG emissions

Our major sources of greenhouse gas (“GHG”) emissions are generated from (i) combustion of petrol by our forklifts and motor vehicles (Scope 1); and (ii) electricity consumption in our office (Scope 2). The following table sets forth a breakdown of our GHG emissions during the Track Record Period:

Indicator	Unit	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Direct GHG emissions (Scope 1) – Petrol consumption	tCO ₂ e	26.91	19.46	15.71	10.01
Indirect GHG emissions (Scope 2) – Electricity consumption	tCO ₂ e	12.60	13.97	20.99	15.64
Total GHG emissions (Scope 1 and Scope 2)	tCO ₂ e	39.51	33.43	36.70	25.65

We have adopted the following measures to minimise direct GHG emissions in our operations:

- monitoring the fuel usage of our forklifts and motor vehicles and conducting regular checks and upkeep the overhaul of our forklifts and motor vehicles;
- encouraging our employees to switch off idling engines when the forklifts or motor vehicles are not in use; and
- our environmental management plan provides air pollution abatement guidelines and measures, which include (i) ensuring the concentration and rates of air pollutants are in compliance with the relevant environmental protection laws and regulations; (ii) conducting periodic checks to ensure the GHG emission of our forklifts and motor vehicles is within the standard level as prescribed by law; and (iii) prohibiting open burning on project sites.

Waste management

(a) Hazardous wastes

Due to our business nature and to the best knowledge of our executive Directors, our Group did not generate material amount of hazardous waste in the course of our operation. We have established guidelines in governing the management of hazardous substances and chemicals. For instances, a safety data sheet is compiled detailing (i)

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the composition and the physical and chemical properties of the hazardous material; and (ii) the instructions for safe handling, storage, use and disposal. Trainings and workshop regarding the treatment of hazardous substances and chemicals are provided to our employees. In case there are any hazardous wastes produced, we will engage a qualified chemical waste collector to handle such wastes in order to comply with the relevant environmental laws and regulations.

(b) Non-hazardous wastes

The non-hazardous wastes generated from our Group's operations mainly include paper consumed in our office. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we generated a total of approximately 562.5 kg, 700.0 kg, 1,087.5 kg and 762.5 kg of non-hazardous wastes.

With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, our Group has implemented the following measures in waste management and launched different wastes reduction initiatives:

- providing recycling bins for different types of waste streams to promote recycling;
- promoting the use of electronic media for communication and reducing the use of paper;
- promoting reusing paper by placing a collection box for single-sided used paper next to each printer; and
- encouraging our employee to use double sided printing or photocopying wherever possible.

Sewage discharge

As we do not consume significant volume of water in our operation, our operation does not generate material discharges of water during the Track Record Period. Wastewater of our Group is discharged into the municipal sewage pipeline network for processing and the majority of water supply and discharge facilities are provided and managed by the property management company.

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Noise

Due to our business nature, we recognise noise generated on project sites as potential negative environmental impacts. To mitigate disturbance created to the community and the environment, we adopted certain noise pollution control policies on project sites, which include:

- taking practicable measures to reduce excessive noise by using advance construction and noise damping technology;
- investing underlying factors and make respective arrangements whenever the noise level exceeds the prescribed level regulated by the Noise Control Ordinance and other relevant regulations; and
- providing hearing protection devices to our employees.

B. Resources consumption

Energy consumption

Our Group’s energy consumption mainly included (i) consumption of petrol by our forklifts and motor vehicles; and (ii) electricity consumed in office. The following table sets forth a breakdown of our major sources of energy consumption during the Track Record Period:

Type of energy consumption	Unit	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Petrol	kWh	108,099.7	78,176.0	63,095.9	40,235.5
Electricity	kWh	<u>12,603.0</u>	<u>13,971.0</u>	<u>20,994.0</u>	<u>15,641.0</u>
Total	kWh	<u><u>120,702.7</u></u>	<u><u>92,147.0</u></u>	<u><u>84,089.9</u></u>	<u><u>55,876.5</u></u>

Apart from the energy saving measures in relation to the use of forklifts and motor vehicles as mentioned above, our Group has established the following energy conservation management in order to minimise the waste of energy:

- promoting e-office practices and measures, such as switching off electronic appliances when not in use;
- encouraging our employees to set room temperature ranges from 23°C to 25°C;

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- conducting regular trainings and workshops to help our employees identify energy-saving measures and enhance their awareness; and
- promoting and adopting the use of energy-saving and efficient equipment and will adopt immediate maintenance once damage is reported.

Water consumption

We mainly consume water in our office. Our Group's water consumption expenses are included in the property management fee and therefore we did not have the water consumption record during the Track Record Period. To ensure water is efficiently used, our Group has adopted measures to increase water efficiency such as placing environmental signs with water-saving messages in prominent places to remind our employees to conserve water.

Social matters

Set out below are our policies in addressing different social issues pertinent to our Group:

A. Employment

- We are committed to upholding the principles of equal opportunities, diversity and anti-discrimination in our workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to gender, age, cultural and educational background, nationality, ethnicity, industry experience, skills and knowledge.
- We conduct performance appraisal to analyse our employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to our employees based on their performance appraisal.

B. Health and safety

Please refer to the paragraph headed "Occupational health and work safety" in this section.

C. Development and training

- Staff handbook is given to our employees to ensure that they are familiar with our Group's policy.
- On-the-job training and industrial trainings are provided to our employees to equip them with the skills and knowledge essential to our projects.

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D. Labour standards

We comply with the relevant laws and regulations and follow strictly the Employment of Children Regulations and the Employment Ordinance in the recruitment of staff. We are also committed to eliminating discrimination in working environment and strive to provide our employees with equal job opportunities in relation to recruitment, training, opportunities, benefits and job arrangements, regardless of their race and gender.

Our Group also prohibits any punishments, management methods and disciplinary actions that involve verbal or physical abuse, physical punishment, or any actions that may constitute oppression or sexual harassment against our employees for any reason.

E. Supply chain management

- We have adopted a stringent policy and procedure on the selection of suppliers and subcontractors. For further details of our evaluation criteria, please refer to the paragraph headed "Basis of selecting our subcontractors" and "Basis of selecting our suppliers" in this section.
- We carry out quality assurance checks on materials received from suppliers to ensure the quality and reliability of materials meet our requirement.
- All subcontractors are required to follow our safety inspection policy and comply with our safe work practices when carrying out wet trades works on project sites.
- We have developed a procedure in evaluating and assessing the safety performance of our subcontractors. Any unsatisfactory performance of our subcontractors will be reported to our Directors and warning letter may be issued to the relevant subcontractor. If the unsatisfactory performance persisted, we may remove such subcontractor from our internal approved list of subcontractors for a period of time and cease our existing engagements with such subcontractor should there be any material non-conformance of the safety requirement following the issue of the warning letter.

F. Services responsibility

We maintain ongoing communication with our customers to ensure understanding and satisfaction of their demand and expectations.

Upon completion of our projects, the site agent of the project management team will arrange handover of the project sites to our customers. Site visits are performed by our customers and if any defects on our works are detected, we will arrange for rectifications.

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G. Anti-corruption and whistleblowing

We are aware of the Prevention of Bribery Ordinance and adopt a zero-tolerance policy on acts of corruption in any form, including bribery and extortion, fraud and money laundering. Our Group stipulates the disciplinary code in our staff handbook and ensure our employees understand the details of the terms. Any suspected or actual fraudulent behavior will be reported to our Directors immediately. We strongly encourage our employees to report any suspected misconduct.

To avoid any conflict of interest of our employees, we stipulate the declaration of interest guidelines in our staff handbook, which provides guidelines and procedures to our employees in exercising their good faith and honesty in all transactions and avoid using their positions or knowledge gained from their employment for their own personal benefits. Our employees are required to ensure there is no conflict of interest between their personal interest and their duties to our Group and declare any potential or perceived conflict of interest to our executive Directors when they have or have had a personal relationship with a related person.

Our Group also adopts a whistleblowing policy and encourages our employees who have concerns about any suspected misconduct or malpractice within our Group to come forward and voice their concerns. Complainants are assured of their anonymity and are protected against unfair dismissal, victimisation or unwarranted disciplinary action even when their concerns turn out to be unsubstantiated. Our Audit Committee is responsible for monitoring and reviewing the effectiveness of the whistleblowing policy.

H. Community involvement

We are working towards to building a healthy and sustainable community and maintaining communication and interaction with the community. We aim to promote the stability of society and support the underprivileged to improve the quality of life. We focus to inspire our employees towards social welfare awareness and encourage our employees to participate in voluntary works to make contribution to society.

Corporate governance matters

Our Company will comply with the Corporate Governance Code. We have established procedures for developing and maintaining internal control systems covering areas such as corporate governance, operations management, compliance matters, financial reporting, as appropriate for our business operations. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. In particular, we have adopted the following internal control measures to enhance our corporate governance:

- (i) our Board includes three independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this document, to ensure transparency in management and fairness in business decisions

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- and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;
- (ii) our Directors will review and provide recommendation on our risk management related policies and procedures, and review the effectiveness and adequacy of our risk management activities annually;
 - (iii) we have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the paragraph headed “Directors and senior management – Board committees” in this document;
 - (iv) we have strengthened our internal audit system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems. Our internal control system will be reviewed by our internal audit personnel or independent internal control consultant on an annual basis to ensure that effective internal control procedures are in place;
 - (v) our Directors have attended a training session on 11 June 2021 conducted by our legal advisers as to Hong Kong law on, among other things, the obligations, on-going corporate governance requirements and the duties of directors of a company [REDACTED] on the Stock Exchange;
 - (vi) our company secretary, Mr. Choi Wan Sang Vincent, will attend external professional training each year to keep himself abreast of the latest accounting and/or regulatory regime in Hong Kong;
 - (vii) we have appointed Grande Capital as our compliance adviser to advise us on compliance matters in relation to the Listing Rules;
 - (viii) to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings – 3. Corporate governance measures” in this document; and
 - (ix) our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after [REDACTED].

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Environmental, social and climate-related risks and opportunities

Our executive Directors are responsible for evaluating and managing any material environmental, social and governance issues (“**ESG Issues**”) and climate-related risks and opportunities of our Group. Our executive Directors will meet regularly to discuss issues and risks that are pertinent to the business development of our Group. Our executive Directors will keep track of the latest policies implemented by the Government in tackling climate change. For better identification of the risks and opportunities, our executive Directors and senior management will attend to discussion on sustainability of the wet trades works industry and low-carbon economy. Our Board will work closely in identifying future risks and opportunities, as well as identifying appropriate actions to cope with the ever-changing situations.

According to the Hong Kong Observatory, Hong Kong is vulnerable to the impacts of climate change, which includes rising temperature, increasing rainfall, rising sea level and more frequent extreme weather events. Based on the findings of the Hong Kong Observatory, we have identified the following risks that can adversely affect our business development.

A. *Physical risks*

Increased frequency and severity of extreme weather conditions such as cyclones and extreme precipitation

During recent years, Hong Kong has faced extreme weather conditions. Extreme precipitation events have become more frequent in the last few decades. In 2018, Hong Kong was struck by Typhoon Mangkhut, resulting the highest typhoon warning signal No.10 remained in place for ten hours and causing injuries, severe damage and economic loss. Due to intense precipitation and strong wind, serious flooding were recorded in low-lying and coastal areas and roads were blocked by fallen trees, resulting in major traffic disruption the day after the typhoon. Increase in frequency and severity of extreme weather events may result in the following adverse impacts on our Group:

- **Delay in project completion:** The progress of our projects could be adversely affected if there is an increase in the occurrence of tropical cyclones and/or floods. The rising frequency of extreme weather conditions are likely to interrupt the delivery of our materials, project schedule and wreak havoc on the project sites’ environment. Any damage on our project sites will render us in deploying more resources on ensuring the safety conditions of our project sites before work is resumed, thereby resulting in delay in our projects as heightened safety procedures are adopted. In particular, our employees and/or our subcontractors’ employees may be required to work at scaffolding, which are susceptible to extreme weather conditions such as strong wind. If there is any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

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- Increase in our operation costs: We may have to deploy additional resources to minimise the potential adverse impacts caused by extreme weather hazards. For instance, should there be any temporary project suspension and/or delay resulted from extreme weather conditions, we may have to deploy additional workers, engage additional subcontractors and/or arrange for additional overtime works to ensure timely delivery of works to our customers, thereby increasing our operating costs and resulting in project costs overrun. Further, we may have to implement additional precautionary and safety measures at our project sites to prevent damage caused by extreme weather conditions, resulting in an increase in our overall operating costs.
- Increase in maintenance cost and storage fees for our machinery: Although we normally store our machinery and equipment at indoor areas on project sites when they are in use, extreme weather conditions may result in flooding in indoor area or collapse of scaffolding and cause damages to our machinery, resulting in increased maintenance cost. If our machinery and equipment is damaged, there is a need to replace the machinery or lease additional machinery from short-term lessors to ensure timely completion of our wet trades works.

Rising mean temperature and increasing number of days of extreme heat

According to the Hong Kong Observatory, the average temperature increasing rate per decade was 0.13°C from 1885 to 2020. The rate of increase accelerated in the latter half of the 20th century and the average increasing rate per decade was 0.24°C from 1991 to 2020. Furthermore, the annual number of very hot days (i.e. days with a maximum temperature of 33°C or above) in Hong Kong has increased from 2.2 for 1885 to 1914 to 17.5 for 1991 to 2020.

Our employees and/or our subcontractors' employees are prone to rising temperatures since most of our project sites are not equipped with air-conditioning systems. Hot weathers can easily lead to heat exhaustion, heat strokes or other health diseases. To lower the risks of sickness suffered by our employees and/or our subcontractors' employees, we will have to provide heat-relieving measures, such as providing electric fans, resting areas and sufficient hydration to the workers, to combat increasing temperatures and re-arrange work schedules to avoid working under hot weathers.

Similarly, our machinery located at our project sites may face the problem of overheating and lead to reduced useful life. We will have to adopt additional measures, which include letting the machinery rest after prolonged use and more frequent maintenances to ensure smooth implementation of our projects, thereby resulting in additional costs to be incurred by us.

Rising temperature and heightened precipitation has also resulted in the proliferation of mosquitoes, which increases the risk of transmission of mosquito-borne diseases in Hong Kong. Several mosquito-borne diseases are of public health concern in Hong Kong,

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including dengue fever and Japanese encephalitis. Heightened measures will have to be implemented at our project sites to guard against mosquito-borne diseases, such as (i) frequent cleaning at the project site to avoid accumulation of stagnant water; (ii) installation of bug zappers; and (iii) encourage workers to wear loose, light-coloured, long-sleeved tops and trousers and wear insect repellent clothing at work.

Rising sea levels

Hong Kong is a low-lying coastal city, and the rise in sea level can pose immediate flooding risk. Low-lying areas in Hong Kong such as Tai O, North District and Lei Yue Mun are constantly hit by flooding in summer. Flooding at our project sites may result in severe damages to our wet trades works performed, resulting in rectification works to be performed and additional costs and time to be incurred by us. If the rectification works to be performed by us result in any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

B. Transitional risks

Potential impairment on our financial performance due to the transition to low-carbon economy

The Government has been working towards to achieve sustainable development in Hong Kong. In response to the Paris Agreement, which was ratified by the PRC on 3 September 2016 and applied to Hong Kong as decided by the Central People's Government of the PRC, the Government has implemented the Hong Kong's Climate Action Plan 2030+, targeting to reduce the carbon emission per capita by 3.3 to 3.8 tonnes, absolute carbon emission by 26% to 36% and carbon intensity by 65% to 70% in 2030, as compared to 2005. Furthermore, the Government also aims to (i) reduce carbon by phasing down coal for electricity generation and replacing it with natural gas by 2030; (ii) optimise the introduction of renewable energy in a more systematic manner with the Government taking the lead; (iii) promote energy saving to continuously reduce carbon emissions in construction and property development; and (iv) provide a safe, efficient, reliable and environmentally friendly transport system.

There is no assurance that the Government will not impose carbon tax on the emission of greenhouse gases ("GHG"). In the event that the Government decided to levy carbon tax, our financial performance may be adversely affected as we may have to allocate resources in strengthening our environmental control measures on lowering our GHG emissions or settle any levies imposed by the Government on our GHG emission.

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of NRMMs. Unless exempted, NRMMs are required to comply with the emission standards prescribed under this regulation. As at the Latest Practicable Date, our Group owned three forklifts, which are Regulated Machines and are subject to the

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NRMM Regulation. For further details, please refer to the paragraph headed “Regulatory overview – Laws and regulations in relation to environmental protection – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” in this document.

There is no assurance that the Government will not tighten the regulation on the emission of NRMM. In the event that the Government decided to tighten the regulation, our financial performance may be adversely affected as we may have to incur additional cost in replacing our existing Regulated Machines.

Changing customer behaviour

Driven by the gradual recognition and promotion of low-carbon economy by the Government, our executive Directors anticipate that our Group will be increasingly required by our customers to adopt clean technology and deploy energy-saving and efficient machinery in performing our projects. If we are unable to fulfil our customers’ requirements in this regard, our customers may become less likely to award projects to us, resulting in material adverse impact on our reputation, business, financial condition and results of operation.

C. Opportunities

Our Group has identified the following potential business opportunities arising from our promotion of low-carbon economy:

Reduce fossil usage and consumption

In view of the increasing awareness of sustainable development and green energy, our Group has set out a plan in replacing our forklifts with those that emit less GHG or are more efficient in energy consumption. As at the Latest Practicable Date, our Group did not have a fixed timeline for the replacement schedule. The replacement of our existing forklifts is likely to provide long-term benefits to our Group. With reduced GHG emission, we will create a more environmentally-friendly workplace for our employees and our subcontractors.

Increasing opportunities in environmentally-friendly urban redevelopment

According to the Industry Report, the Government is actively redeveloping old buildings (i.e. buildings aged 50 years or above) into new buildings of modern standard, environmentally-friendly and smart design, which is expected to bring sustained demand for wet trades works in urban renewal projects. Driven by the gradual recognition and promotion of low-carbon economy as well as advocacy of green buildings by the Government, our executive Directors consider that we will be able to capture the new sources of project opportunities and the increasing demand for environmentally-friendly development in Hong Kong.

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RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We have engaged an independent internal control adviser (the “**Internal Control Adviser**”) to identify control deficiency and made recommendation over our Group’s internal control systems. The Internal Control Adviser possesses around four years of experience in providing internal control review. In particular, it has conducted internal control review for a number of listed issuers or listing applicants in Hong Kong. The Internal Control Adviser is headed by the managing director who possesses qualification as a fellow of the Hong Kong Institute of Certified Public Accountants. The scope of reviews conducted by the Internal Control Adviser mainly covered corporate governance, compliance with applicable rules and regulations, anti-fraud program and controls, financial reporting and disclosure controls, revenue management, expenditure management, cash and treasure management, fixed assets management, human resources and payroll management, project management (including controls on work safety), tax management and IT general controls. The internal control reviews and the relevant follow-up reviews (the “**Reviews**”) were conducted by the Internal Control Adviser during the periods from (i) October 2020 to November 2020; and (ii) April 2021 to May 2021, respectively.

Based on the results of the Reviews, our Directors were not aware of any finding which suggests material deficiency over our Group’s internal control systems. Meanwhile, the Internal Control Adviser has made various recommendations to us to further enhance certain key aspects of our internal control systems, including (i) establishment of corporate governance practices, such as, risk assessment procedure, anti-corruption and whistleblowing program, and procedures for handling conflict of interests, notifiable and connected transactions and inside information; (ii) enhancement of operational policies and guidelines, such as incorporation of authorisation matrix in existing policies and establishment of operational checklists; and (iii) enhancement of documentation over key operational procedures and approval processes, such as establishment of requisition and approval forms. These recommendations have been considered by our Group and remediation actions have already been taken up before the Latest Practicable Date.

Key risks relating to our business are set out in the section headed “Risk factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed “Our customers – Customer concentration” above in this section.

(ii) Risk of cost overruns

We estimate our costs to be incurred in a project to determine our tender price and there is no assurance that the actual amount of costs we incur would not exceed our estimation during the course of project implementation. For details of our measures on

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minimising the risk of cost overruns, please refer to the paragraph headed “Pricing strategy” above in this section.

(iii) Risk relating to subcontractors’ performance

Please refer to the paragraphs headed “Our suppliers – Basis of selecting our subcontractors” and “Quality control – Works performed by subcontractors” above in this section.

(iv) Credit risk management

We are subject to risks in relation to the collectability of our trade and other receivables, details of which are summarised in the paragraph headed “Risk factors – We are subject to credit risk in relation to the collectability of our trade receivables and contract assets”.

For the purpose of mitigating our exposure to credit risk, our finance and administration staff are responsible for conducting individual credit evaluations on our customers on a regular basis. Prior to accepting work orders from new customers, our finance and accounting staff would check on the background of the potential customer in order to access their credibility.

Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions having regard to our business relationship with the customer, its history of making payments, its financial position as well as the general economic environment. During the Track Record Period, our follow-up actions for recovering long-overdue payment included active communications and conducting follow up calls with the customers.

We generally grant our customers a credit term of 14 to 60 days from the invoice date. As at 31 March 2019, 2020, 2021 and 2022, we recorded trade receivables (net of provision for impairment) of approximately HK\$39.0 million, HK\$52.4 million, HK\$35.9 million and HK\$27.2 million respectively. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our trade receivables turnover days were approximately 22.2 days, 32.5 days, 36.6 days and 25.2 days, respectively.

To ensure timely identification of doubtful or irrecoverable debts, our finance and administration staff would report to our financial controller on the collection status and ageing analysis of outstanding payments on a regular basis. Trade receivables overdue will be reviewed by our financial controller and, if appropriate, provisions for impairment of trade receivables will be made accordingly.

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(v) Liquidity risk management

There are often time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch.

In order to manage our liquidity position in view of the aforementioned working capital requirement and the possible cash flow mismatch associated with undertaking contractual works, we have adopted the following measures:

- our financial controller is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;
- as a general policy, we only procure materials and toolings on an as-needed basis according to the requirement and schedule of the project to prevent excessive purchases; and
- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, among other things (i) ensuring healthy bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly review of our trade payables and aging analysis to ensure that payments to our suppliers are made on a timely basis.

We have established the following policies with a view to further improve our cash flow position on project level since May 2021:

- our project management team shall prepare a profit and cashflow forecast, inclusive of a cost budget, for each project prior to its commencement. The profit and cashflow forecast shall be submitted to our finance and administration department and executive Directors for approval. Our projects shall be implemented according to the respective cost budget;
- actual expenses incurred and cashflow status of each project is monitored by our project management team on an ongoing basis. Our project management team is responsible for documenting cash inflow from customers and cash outflow to suppliers and subcontractors and preparing cashflow statements for each project and submitting the cashflow statements to our finance and administration department on a monthly basis;

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- our finance and administration department, led by our financial controller, is responsible for reviewing the cashflow statements and performing analysis on any difference between the actual and forecast cashflow for each project and submitting the cashflow statements to our Group's management for review;
- revisions to project cost budget, which requires approval from our executive Directors, may be made to control the cost target of projects. Any revisions to project cost budget shall (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the project. Revisions to cost budget may be made due to rectification works, changes in work scope, material changes in economic conditions or occurrence of force majeure event;
- in the event that there is significant net cash outflow of a project which indicates delay in payment certification or loss making project, our finance and administration staff will actively follow up with the relevant customer for payment or plan for financing;
- our finance and administration staff is responsible for performing review of subsequent settlement of trade receivables, trade payables and contract assets on a monthly basis;
- after our customers acknowledge our monthly payment applications, our finance and administration staff will closely communicate with the customers on the status of the certification process. Our executive Directors will ensure that any customers' feedbacks on our Group's payment applications are promptly addressed; and
- material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions, including active communications and conducting follow up calls with the customers.

In assessing the effectiveness of the implementation of our liquidity control measures since May 2021, the Sponsor has taken into consideration the followings:

- (i) there was no material difference between the actual and forecast cashflow for our ongoing projects. Notwithstanding we may experience net cash outflow at the early stage of a project, such cash outflow had been taken into account by our executive Directors and project management team in projecting the cashflow of such projects and our projects are generally able to achieve a net cash inflow as they progress into later stages;
- (ii) no material revision was made to the cost budget of our ongoing projects. Save for Project #01, our Group did not experience any material cost overrun, nor did we record any loss-making project;

BUSINESS

- (iii) our Group did not experience material difficulty in the collection of our trade receivables. Up to 12 July 2022, approximately 87.9% of our trade receivables as at 31 March 2022 had been subsequently settled. For further details on the subsequent settlement of our trade receivables, please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Trade receivables – Aging analysis and subsequent settlement" in this document. Our executive Directors and finance and administration staff have continuously monitored and evaluated our overdue payments by following up with the relevant customers. We have maintained a register which recorded the reasons for the overdue payments based on our enquiries with customers and our analysis on the overdue payments. As at the Latest Practicable Date, our Group was not involved in any material dispute, claim, arbitration or litigation with our customers in relation to the settlement of our trade receivables;
- (iv) our Group did not experience any material dispute in the payment certification of our projects. Up to 12 July 2022, approximately 74.0% of our unbilled revenue as at 31 March 2022 had been subsequently billed. For further details, please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities – Subsequent billing and settlement" in this document. Further, the relatively long-aged unbilled revenue was mainly attributable to projects which are at their final stage and hence additional time is required by the customer to perform final review and approval for the relevant work done of the entire project before issuing the relevant payment certificate to us; and
- (v) our Group did not experience any material difficulty in the settlement of our trade payables. Up to the Latest Practicable Date, all of our trade payables as at 31 March 2022 had been settled. For further details on the subsequent settlement of our trade payables, please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Trade payables – Aging analysis and subsequent settlement" in this document. Further, our Group was not involved in any material dispute, claim, arbitration or litigation with our suppliers in relation to the settlement of our trade payables.

Based on the above, the Sponsor is not aware of any circumstances which would result in a material increase in our indebtedness level or other financial difficulties to us due to liquidity problem. As such, the Sponsor is of the view that there is no material finding which cast doubt on the effectiveness of our liquidity control measures.

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(vi) Regulatory risk management

We keep ourselves abreast of any changes in government policies, regulations, and licensing requirements in relation to our business operations, as well as relevant environmental, safety requirements. We will ensure that any changes of the above are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

(vii) Occupational health and work safety

Please refer to the paragraph headed “Occupational health and work safety” in this section.

(viii) Quality control system

Please refer to the paragraph headed “Quality control” in this section.

(ix) Environmental management system

Please refer to the paragraph headed “Environmental compliance” above in this section.

(x) Compliance culture

Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

DIRECTORS AND SENIOR MANAGEMENT

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Principal responsibilities	Relationship with other Director(s), and/or senior management
Executive Directors						
Mr. Chan Kiu Sum (陳橋森先生)	64	Chairman of our Board, chief executive officer of our Group and executive Director	28 April 2020	30 July 2005	Overall management, formulation of business strategies, project management and day-to-day management of the operations of our Group	Cousin-in-law of Mr. WP Chan and father of Ms. Chan Chui Ying
Mr. Chan Wing Ping (陳永平先生)	61	Executive Director	28 April 2020	30 July 2005	Overall project management and day-to-day management of the operations of our Group	Cousin-in-law of Mr. KS Chan and uncle of Ms. Chan Chui Ying
Independent non-executive Directors						
Dr. Huang Hong (黃虹博士)	44	Independent non-executive Director	[date]	[date]	Providing independent advice to our Board and serving as the chairperson of our Remuneration Committee and a member of our Audit Committee and Nomination Committee	Nil
Mr. Yu Chi Wing (于志榮先生)	38	Independent non-executive Director	[date]	[date]	Providing independent advice to our Board and serving as the chairperson of our Audit Committee and a member of our Remuneration Committee	Nil
Dr. Lo Ki Chiu (盧其釗博士)	37	Independent non-executive Director	[date]	[date]	Providing independent advice to our Board and serving as a member of our Audit Committee and Nomination Committee	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Principal responsibilities	Relationship with other Director(s), and/or senior management
Senior management						
Mr. Choi Wan Sang Vincent (蔡尹笙先生)	36	Financial controller and company secretary of our Company	3 February 2020	3 February 2020	Financial management and secretarial affairs of our Group	Nil
Ms. Chan Chui Ying (陳翠盈小姐)	26	Corporate promotion, administration and human resources manager	22 February 2018	22 February 2018	Sales and marketing and administration of our Group	Daughter of Mr. KS Chan and niece of Mr. WP Chan
Mr. Lai Wai Hung (黎偉雄先生)	35	Project manager	1 November 2020	1 June 2006	Overseeing and managing project execution and operation of our Group	Nil

DIRECTORS

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chan Kiu Sum (陳橋森先生), aged 64, was appointed as a Director on 28 April 2020 and was re-designated as an executive Director on 30 October 2020. Mr. KS Chan also serves as the chairman of our Board and the chief executive officer of our Group. He is the chairperson of our Nomination Committee and a member of our Remuneration Committee. He is primarily responsible for the overall management, formulation of business strategies, project management and day-to-day management of the operations of our Group. He is also a director of all our subsidiaries, namely Wai Wai Prestige, Ying Ying, Chan Kiu and Ying Wai. He is a cousin-in-law of Mr. WP Chan and the father of Ms. Chan Chui Ying.

Mr. KS Chan has over 30 years of experience in the wet trades works industry. From June 1988 to December 1997, he worked as a foreman at a wet trades works contractor with his last position as manager. He was the sole proprietor of Chan Kiu Construction Decoration Engineering from February 1998 to February 2013. Since July 2005 and October 2007, Mr. KS Chan has been a director of Ying Wai and Chan Kiu, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. KS Chan completed the special training course for Hong Kong and Macao committee members held by the Business School of Nankai University in the PRC in April 2018. He was a vice president (副會長) of the Hong Kong Construction Sub-Contractors Association from July 2015 to June 2017. Mr. KS Chan has been appointed as the president (會長) of The Association of Plastering Sub-Contractors Limited since May 2015. Since October 2020, Mr. KS Chan has become the founding executive vice president (創會常務副會長) of the Registered Specialist Trade Contractors Federation.

Mr. Chan Wing Ping (陳永平先生), aged 61, was appointed as a Director on 28 April 2020 and was re-designated as an executive Director on 30 October 2020. He is primarily responsible for the overall project management and day-to-day management of the operations of our Group. He is also a director of all our subsidiaries, namely Wai Wai Prestige, Ying Ying, Chan Kiu and Ying Wai. He is a cousin-in-law of Mr. KS Chan and an uncle of Ms. Chan Chui Ying.

Mr. WP Chan has over 20 years of experience in the wet trades works industry. From January 1996 to December 1997, he worked as a foreman at a wet trades works contractor. He then worked at Chan Kiu Construction Decoration Engineering as a foreman from February 1998 to February 2013. Mr. WP Chan has been a director of Ying Wai and Chan Kiu since July 2005 and October 2007, respectively.

Mr. WP Chan completed the safety supervisor course offered by the Industrial Centre of the School of Professional Education and Executive Development of the Hong Kong Polytechnic University in January 2001. He has been appointed as a council member (理事) of The Association of Plastering Sub-Contractors Limited since May 2015.

Independent non-executive Directors

Dr. Huang Hong (黃虹博士), aged 44, was appointed as an independent non-executive Director on [•]. She is the chairperson of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Dr. Huang has over 15 years of experience in corporate finance and corporate governance. From January 2003 to March 2004, she worked at the representative office of Stevenson, Wong & Co. in Guangzhou as China business consultant. From April 2004 to November 2005, she practised at Drew & Napier LLC in Singapore as a registered foreign lawyer. Dr. Huang was a visiting lecturer and a lecturer at the School of Accounting and Finance of the Hong Kong Polytechnic University from January 2006 to May 2007 and from May 2007 to June 2015, respectively. From October 2018 to November 2021, Dr. Huang was the senior manager of the commercial and corporate finance department of Stevenson, Wong & Co.. Since January 2020, she has been a part-time visiting lecturer at the School of Accounting and Finance of the Hong Kong Polytechnic University. Since December 2021, Dr. Huang has been a compliance director of Long Yun International Holdings Limited. Since January 2022, Dr. Huang has been a part-time compliance director of SW Management Limited.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Huang graduated from Sun Yat-sen University in the PRC with a bachelor's degree of laws in June 2000. She further obtained a master's degree of laws from the University of Liverpool in the United Kingdom in December 2002 and a master's degree of corporate finance from the Hong Kong Polytechnic University in October 2009. In October 2019, Dr. Huang obtained a doctor's degree of philosophy from the School of Law of the City University of Hong Kong. Dr. Huang is qualified as a PRC lawyer in April 2001.

Mr. Yu Chi Wing (于志榮先生), aged 38, was appointed as an independent non-executive Director on [•]. He is the chairperson of our Audit Committee and a member of our Remuneration Committee.

Mr. Yu has over 15 years of experience in advisory, accounting, taxation and auditing. Mr. Yu joined RSM Nelson Wheeler as staff accountant in June 2005 and left as manager in June 2014. From June 2014 to May 2015, he worked at Niche-Tech (Hong Kong) Limited (which is a subsidiary of Niche-Tech Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8490)) as chief accountant with his last position as financial controller. Since June 2015, Mr. Yu has been the financial controller of Tactful Building Company Limited. Mr. Yu founded Yu Chi Wing CPA (Practising) and JR & Co., Certified Public Accountants in March 2015 and September 2016, respectively. He also co-founded Emerald Capital CPA & Co. in May 2021.

Mr. Yu has been an independent non-executive director of Fameglow Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8603) and Wah Wo Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 9938) since September 2018 and December 2019, respectively.

Mr. Yu graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in June 2005. He has been a member and a practising member of the Hong Kong Institute of Certified Public Accountants since January 2012 and March 2015, respectively.

Dr. Lo Ki Chiu (盧其釗博士), aged 37, was appointed as an independent non-executive Director on [•]. He is a member of our Audit Committee and Nomination Committee.

Dr. Lo has over 10 years of work experience. He joined Wealth Property Agency Limited as an account executive in December 2007 and is currently its managing director. He was an assistant instructor from September 2012 to August 2013, a part-time instructor from September 2013 to January 2014 and from February 2017 to June 2017, and a part-time college lecturer from February 2018 to June 2018, from February 2019 to June 2019, from February 2020 to August 2020, and from January 2021 to June 2021, at the Lingnan Institute of Further Education, Lingnan University. He was also a guest lecturer of The Education University of Hong Kong from January 2017 to June 2017. Dr. Lo has been an honorary assistant professor in the School of Arts and Social Sciences of The Open University of Hong Kong (currently known as the Hong Kong Metropolitan University) since August 2019.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Lo was an independent non-executive director of Wang Yang Holdings Limited (currently known as Central Holding Group Co. Ltd.), a company listed on the Main Board of the Stock Exchange (stock code: 1735) from March 2018 to October 2019. He has been an independent non-executive director of Yield Go Holdings Ltd. (stock code: 1796) since December 2018.

Dr. Lo graduated from the Hong Kong Baptist University with a bachelor’s degree of arts in physical education and recreation management in November 2007. He further obtained a master’s degree of science in international banking and finance and a master’s degree of philosophy in economics from Lingnan University in October 2009 and October 2011, respectively. In November 2019, Dr. Lo obtained a doctor’s degree of philosophy in physical education from the Hong Kong Baptist University.

Save as disclosed above, each of our Directors has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Nothing has come to our executive Directors’ attention that caused them to question the competency of our independent non-executive Directors. In particular, notwithstanding that our independent non-executive Directors do not have direct experience in the wet trades works industry in Hong Kong, their previous work experience and academic and professional qualifications, as illustrated in their respective biographies above, allow them to complement the skills and experience of our executive Directors, and provide opinions and judgment from an independent and external dimension to our Board based on their skills, knowledge, experience and insight from other businesses and sectors. Further, two of our independent non-executive Directors have prior work experiences in Hong Kong listed companies, and hence have obtained the relevant corporate governance experience to help ensure that our Group has adopted a good corporate governance practice commensurate with other listed companies. Furthermore, our independent non-executive Directors have received training prior to the [REDACTED] from our Hong Kong legal advisers with respect to their roles and responsibilities as our Directors, the Listing Rules and other regulatory and corporate governance requirements, and will receive ongoing training from time to time after the [REDACTED] so as to ensure that our independent non-executive Directors can meet the standard of competence commensurate with their position as directors of a [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Mr. KS Chan was the sole proprietor of the following sole proprietorship prior to its dissolution. Mr. KS Chan confirmed that the sole proprietorship was solvent and inactive at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that its dissolution had not resulted in any liability or obligation against him. The following are the details of the aforementioned dissolved sole proprietorship:

Name of business entity	Place of establishment	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Chan Kiu Construction Decoration Engineering	Hong Kong	Provision of wet trades works in Hong Kong	18 February 2013	Terminated

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (b) he/she did not have any relationship with any other Directors, senior management, Substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (c) he/she did not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed "C. Further information about our Directors and Substantial Shareholders – 1. Disclosure of interests" in Appendix IV to this document; (d) he/she did not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules; and (e) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Mr. KS Chan has been managing our Group's business and overall strategic planning since our establishment. Our Directors believe that the vesting of the roles of chairman of our Board and chief executive officer in Mr. KS Chan is beneficial to the business operations and management of our Group as it provides a strong and consistent leadership to our Group and that the current management has been effective in the development of our Group and implementation of business strategies under the leadership of Mr. KS Chan. In allowing the two roles to be vested in the same person, our Directors believe both positions require in-depth knowledge and considerable experience of our Group's business and Mr. KS Chan is the most suitable person to occupy both positions for effective management of our Group. Accordingly, our Company has not segregated the roles of the chairman of our Board and chief executive officer as required by paragraph C.2.1 of the Corporate Governance Code.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Choi Wan Sang Vincent (蔡尹笙先生), aged 36, is the financial controller of our Group and the company secretary of our Company and is responsible for the financial management and secretarial affairs of our Group.

Mr. Choi has over 7 years of experience in accounting and financial management. Mr. Choi worked at Pan-China (H.K.) CPA Limited as an audit associate from September 2013 to January 2015. From January 2015 to November 2017, Mr. Choi worked as a semi-senior auditor at Crowe Horwath (HK) CPA Limited (currently known as Crowe (HK) CPA Limited) with his last position as assistant manager. From January 2018 to August 2018, Mr. Choi worked as a senior auditor at RSM Hong Kong. Mr. Choi was the accounting manager of World Asset Management (Hong Kong) Limited from September 2018 to January 2019 and the accounting manager of Beat World Limited (which is a subsidiary of Rosan Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 578)) from April 2019 to February 2020. In February 2020, he joined Chan Kiu as the financial controller. Since February 2020, he has been a director of Hoper Business Consulting Limited, a company providing corporate secretarial and book-keeping services.

Mr. Choi graduated from the Hong Kong Polytechnic University with a bachelor's degree of business administration in accountancy in October 2011. Mr. Choi has been a member of the Hong Kong Institute of Certified Public Accountants since January 2019 and a member of the Institute of Chartered Accountants in England and Wales since August 2020.

Ms. Chan Chui Ying (陳翠盈小姐), aged 26, is the corporate promotion, administration and human resources manager of our Group and is responsible for the sales and marketing and administration of our Group. She is the daughter of Mr. KS Chan and a niece of Mr. WP Chan.

Ms. Chan has over 5 years of experience in sales and marketing. Ms. Chan was an account executive of Ginger Advertising Limited from September 2015 to June 2016. She worked at Meitu (China) Limited as a marketing and public relations executive from June 2016 to February 2018. She joined Chan Kiu as corporate promotion, administration and human resources manager in February 2018.

Ms. Chan graduated from Pierce College in Washington, the United States, with an associate's degree of arts in June 2013. She then obtained a bachelor's degree of arts in communication from the University of Washington in the United States in June 2015. In October 2019, Ms. Chan completed the online credential of readiness program in business analytics, economics for managers and financial accounting organised by Harvard Business School.

Mr. Lai Wai Hung (黎偉雄先生), aged 35, is the project manager of our Group and is responsible for overseeing and managing project execution and operation of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai has over 10 years of experience in the wet trades works industry. He joined our Group as a part-time site worker in June 2006 and was promoted as site foreman in July 2012. Mr. Lai has further been promoted as project manager in November 2020.

Mr. Lai completed his secondary education in June 2003. He further completed the two-year full time basic craft course in bricklaying, plastering and tiling held by the Construction Industry Training Authority in August 2005. He then completed the safety supervisor training course and the 3-day metal scaffolding supervisor course organised by the Hong Kong Human Resources Ltd. in October 2007 and December 2007, respectively.

Save as disclosed above, each of our senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Choi Wan Sang Vincent (蔡尹笙先生) is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his background and experience, please refer to the paragraph headed “Senior management” above in this section.

BOARD COMMITTEES

Audit Committee

Our Company established our Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on *[date]*. The primary duties of our Audit Committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of our Company and perform other duties and responsibilities assigned by our Board.

At present, our Audit Committee comprises Mr. Yu Chi Wing, Dr. Huang Hong and Dr. Lo Ki Chiu, all being independent non-executive Directors. Mr. Yu Chi Wing is the chairperson of our Audit Committee.

Remuneration Committee

Our Company established our Remuneration Committee on *[date]* with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code. The primary duties of our Remuneration Committee are to review and approve the management’s remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determine their own remuneration.

DIRECTORS AND SENIOR MANAGEMENT

At present, our Remuneration Committee comprises Dr. Huang Hong and Mr. Yu Chi Wing, being our independent non-executive Directors, and Mr. KS Chan, being our executive Director. Dr. Huang Hong is the chairperson of our Remuneration Committee.

Nomination Committee

Our Company established our Nomination Committee on *[date]* with written terms of reference in compliance with paragraph B.3.1 of the Corporate Governance Code. The primary duties of our Nomination Committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our Nomination Committee comprises Mr. KS Chan, being our executive Director, and Dr. Huang Hong and Dr. Lo Ki Chiu, being our independent non-executive Directors. Mr. KS Chan is the chairperson of our Nomination Committee.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. Our Company recognises the benefits of having a diversified Board. In summary, our board diversity sets out that when considering the nomination and appointment of a director, with the assistance of our Nomination Committee, our Board would consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of perspectives that the candidate is expected to bring to our Board and what would be the candidate’s potential contributions, in order to better serves the needs and development of our Company. Our board diversity policy also seeks to attract, retain and motivate our Directors and other staff from the widest pool of available talent. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Due to the industry nature of our business as wet trades works contractor and the prevailing gender dominance in the industry, our Board currently comprises four male Directors and one female Director, whereas our senior management comprises two male members and one female member. Our Company values gender diversity and will continue to take steps to promote gender diversity at all levels of our Company and to develop a pipeline of potential successors, including but without limitation at our Board. Going forward and with a view to develop a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out below, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) provide career development opportunities for female staff and devote more resources in training female staff who have extensive and relevant experience in our business; and (iv) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board. Further, our Company has confirmed that the Nomination Committee will identify and recommend and our Company will appoint at least one additional female candidate to our Board as a Director within one year from the [REDACTED]. Our objective is to achieve not less than one-third of our Board comprising of females within one year from the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed Grande Capital as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the [REDACTED] and ending on the date on which our Company distributes annual report in respect of our financial results for the first full financial year commencing after the [REDACTED]. Such appointment may be subject to extension by mutual agreement.

Pursuant to Rule 3A.23 of the Listing Rules, our Company shall seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where business activities, developments or results of our Company deviate to a material extent from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to their performance. Our Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and performance of our Group.

After the [REDACTED], our Directors and senior management may also receive options to be granted under the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

For each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our Directors by our Group was approximately HK\$4.5 million, HK\$3.4 million, HK\$3.2 million and HK\$3.3 million, respectively.

For each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our five highest paid individuals (including our Directors) by our Group was approximately HK\$6.4 million, HK\$5.3 million, HK\$5.4 million and HK\$5.4 million, respectively.

Save as disclosed in this document, no other emoluments have been paid, or are payable, by our Group to our Directors and our five highest paid individuals in respect of each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for FY2022/23 will be approximately HK\$[3.6] million. Upon completion of the [REDACTED], our Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or our five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors’ remuneration during the Track Record Period as well as information on our five highest paid individuals, please refer to the Accountant’s Report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Evolve Billion. Evolve Billion is an investment holding company incorporated in BVI and is owned as to 80% by Mr. KS Chan and 20% by Mr. WP Chan. On the basis of (i) the Acting in Concert Undertaking; and (ii) that Mr. KS Chan and Mr. WP Chan hold their respective interests in our Company through a common investment holding company, i.e. Evolve Billion, which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company. Evolve Billion, Mr. KS Chan and Mr. WP Chan are regarded as a group of Controlling Shareholders under the Listing Rules. For details of the Acting in Concert Undertaking, please refer to the paragraph headed “History, development and Reorganisation – Acting in Concert Undertaking” in this document.

Mr. KS Chan and Mr. WP Chan are the founders of our Group and our executive Directors and have been leading the development of our Group. In addition, Mr. KS Chan is also the chairman of our Board and the chief executive officer of our Group. For details of their background and experience, please refer to the paragraph headed “Directors and senior management – Directors” in this document.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In addition, each of our Controlling Shareholders has given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed “Non-competition undertakings” in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholders upon or shortly after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Management independence

Our Group has an independent management team comprising our executive Directors and senior management who have substantial experience in the business of our Group. Our management team is able to implement the policies and strategies of our Group and performs its roles in our Company independently.

Our Group aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board comprises two executive Directors and three independent non-executive Directors. Our three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our Group's overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Further, each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In case Mr. KS Chan and Mr. WP Chan are required to abstain from voting at Board meetings due to potential conflict(s) of interest, our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that our Group is capable of managing our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal control procedures to facilitate the effective operation of our business.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. Our Group makes financial decisions according to our own business needs.

The accounting and finance department of our Group will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, Mr. KS Chan had provided personal guarantees and securities for the banking facilities granted to our Group. All such personal guarantees and securities given by Mr. KS Chan, will be replaced by a corporate guarantee given by our Company or released or otherwise settled in full before or upon the [REDACTED]. During the Track Record Period, Mr. KS Chan had made cash advances to our Group from time to time to strengthen our working capital. As at 31 March 2019, 2020, 2021 and 2022, our Group recorded amount due to Mr. KS Chan of approximately HK\$27.9 million, HK\$23.0 million, HK\$15.3 million and HK\$10.7 million, respectively. All amounts due by our Group to Mr. KS Chan will be settled or capitalised before the [REDACTED].

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the business operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence from major suppliers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Independence from major customers

Save for holding an insignificant amount of shares in the holding company of Customer E, a company listed on the Stock Exchange, for passive investment purpose from time to time by Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan, our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders as covenantors (each a “**Covenantor**”, collectively, the “**Covenantors**”) executed the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and confirm that none of them nor any of their close associates (other than any member of our Group) is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Group, or has any interest, in such business.

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be [REDACTED] on the Stock Exchange; (b) the date on which the Covenantors cease to be a Controlling Shareholder; or (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued capital of our Company:

1. Non-competition

He/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (excluding any member of our Group) (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by our Company or any of our subsidiaries in Hong Kong and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including undertaking wet trades works in Hong Kong (the “**Restricted Business**”).

The Deed of Non-competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed on any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that:

- (a) the shareholding of any one holder (and his/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) He/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable our Company to make an informed assessment of such opportunity; and
- (b) He/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/its attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company(ies) or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholders and to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors) and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct an annual review on the compliance with the terms of the Deed of Non-competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue an announcement in relation to any decision and where applicable the reasons for such decision made by our independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (d) disclose the decision(s) and related basis on matters reviewed by our independent non-executive Directors in relation to our Company's compliance with and enforcement of the Deed of Non-competition and make a declaration in relation to the compliance with and enforcement of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with and enforcement of the Deed of Non-competition are in accordance with the requirements of the Listing Rules;
- (e) during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company and/or our subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Stock Exchange granting the [REDACTED] of, and the permission to deal in, our Shares; and (b) the [REDACTED] and [REDACTED] in our Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them has interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that our Group is capable of carrying on our Group's business independently of the Covenantors after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Person/ corporation	Capacity/ nature of interest	Number of Shares held/interested in as at the date of submission of application for the [REDACTED]	Number of Shares held/interested in immediately after completion of the [REDACTED] and the [REDACTED] <i>(Note 1)</i>	Percentage of interests in our Company immediately after completion of the [REDACTED] and the [REDACTED]
Evolve Billion	Beneficial owner <i>(Note 2)</i>	39,000,000 Shares	[REDACTED] (L)	[REDACTED]
Mr. KS Chan	Interest in controlled corporation/interest held jointly with others <i>(Notes 2, 3 and 4)</i>	39,000,000 Shares	[REDACTED] (L)	[REDACTED]
Mr. WP Chan	Interest held jointly with others <i>(Notes 3 and 5)</i>	39,000,000 Shares	[REDACTED] (L)	[REDACTED]

Notes:

1. The letter “L” denotes a person’s/corporation’s long position (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to [REDACTED] by Evolve Billion immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme). Evolve Billion is owned as to 80% by Mr. KS Chan. By virtue of the SFO, Mr. KS Chan is deemed to be interested in the same number of Shares held by Evolve Billion.
3. Mr. KS Chan and Mr. WP Chan are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Acting in Concert Undertaking. As such, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), Mr. KS Chan and Mr. WP Chan will together control [REDACTED] of the entire issued share capital of our Company.

SUBSTANTIAL SHAREHOLDERS

4. Ms. Tsang is the spouse of Mr. KS Chan. Under the SFO, Ms. Tsang is deemed to be interested in the same number of Shares in which Mr. KS Chan is interested.
5. Ms. Chan Pong Hing (陳滂興女士) is the spouse of Mr. WP Chan. Under the SFO, Ms. Chan Pong Hing is deemed to be interested in the same number of Shares in which Mr. WP Chan is interested.

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after completion of the [REDACTED] and the [REDACTED].

Authorised share capital:	<i>HK\$</i>
<u>[10,000,000,000]</u> Shares of HK\$0.01 each	<u>[100,000,000]</u>

Assuming the [REDACTED] is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the [REDACTED] and the [REDACTED] will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid	<i>HK\$</i>
39,000,000 Shares in issue as at the Latest Practicable Date	390,000
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u> Shares in total	<u>[REDACTED]</u>

Assuming the [REDACTED] is exercised in full and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid	<i>HK\$</i>
39,000,000 Shares in issue as at the Latest Practicable Date	390,000
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued upon exercise of the [REDACTED]	[REDACTED]
<u>[REDACTED]</u> Shares in total	<u>[REDACTED]</u>

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED]. It does not take into account of any Share that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public.

RANKING

The [REDACTED] are ordinary Shares and will rank equally with all Shares in issue or to be issued as mentioned in this document and will qualify for all dividends or other distributions declared, paid or made on our Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document.

Our Company did not have any outstanding share option, warrant, convertible instrument or similar right convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

- (a) 20% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and
- (b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

SHARE CAPITAL

Our Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Scheme and any option scheme or similar arrangement for the time being adopted.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this general mandate are set out in the paragraph headed "A. Further Information about our Group – 5. Written resolutions of our sole Shareholder passed on [•]" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose in accordance with the applicable laws and requirements of the Stock Exchange (or such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group – 6. Repurchase of our Shares" in Appendix IV to this document.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this repurchase mandate are set out in the paragraph headed "A. Further information about our Group – 6. Repurchase of our Shares" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix III to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountant’s Report included as Appendix I to this document and our selected historical consolidated financial information and operating data included elsewhere in this document. Our consolidated financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group’s structure, please refer to the section headed “History, development and Reorganisation” in this document.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed “Risk factors” and “Forward-looking statements” in this document for discussions of those risks and uncertainties.

OVERVIEW

We are a wet trades contractor in Hong Kong. We were established in 2005 and have since undertaken wet trades works in the role of subcontractor. During the Track Record Period, the wet trades works performed by us mainly included plastering, tile laying, brick laying, floor screeding and marble works. During FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our Group derived revenue from the provision of wet trades works services in Hong Kong of approximately HK\$447.9 million, HK\$513.2 million, HK\$440.4 million and HK\$456.4 million, respectively.

We have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety supervision and quality control; and (v) developing detailed work schedule and work allocation plan.

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 toolings; and (iii) suppliers of other miscellaneous services such as machinery rental and repair and maintenance services.

FINANCIAL INFORMATION

As we focus on the role of project management and supervision, the site works in our projects, which are labour intensive in nature, are mainly undertaken by our subcontractors. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we incurred subcontracting fees of approximately HK\$372.3 million, HK\$412.3 million, HK\$333.6 million and HK\$332.9 million, representing approximately 94.8%, 92.8%, 91.5% and 89.2% of our total purchases, respectively.

Depending on the contract terms agreed with our customers, materials and toolings may be (i) procured by us at our cost; (ii) provided by our customers at their cost; or (iii) procured by our customers for our use and such costs will be subsequently deducted in the relevant payment certificates issued to us. When subcontractors are engaged by us, materials are (i) provided by our subcontractors at their cost; or (ii) procured by us at our cost; or (iii) procured by us for our subcontractors' use at their costs and the amount we incurred for the purchases will be deducted from our payment to our subcontractors. The major types of materials that we required included Portland cement, hydraulic lime, concrete blocks, aggregates and sand and the major toolings that we required included personal protective equipment, parts and components for plaster spray machines and other wet trades works ancillary tools.

During the Track Record Period, we had a total of 97 projects with revenue contribution to us. As at the Latest Practicable Date, we had 41 projects on hand. For further details, please refer to the paragraph headed "Business – Projects on hand" in this document.

For further information about our business and operations, please refer to the section headed "Business" in this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

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

Non-recurrent nature of our projects

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we recorded a tender success rate of approximately 14.0%, 21.6%, 12.6% and 18.0%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our pricing and tender strategy, competitors' tender and pricing strategy, the availability of our resources and subcontractors, level of competition and our customers' evaluation standards. Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation

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system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

Performance and availability of our subcontractors

We have focused on the role of project management in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. For further details, please refer to the paragraph headed "Business – Our suppliers – Reasons for subcontracting arrangement" in this document. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our subcontracting fees amounted to approximately HK\$372.3 million, HK\$412.3 million, HK\$333.6 million and HK\$332.9 million, respectively, representing approximately 94.8%, 92.8%, 91.5% and 89.2% of our total purchases, respectively. There is no assurance that the work quality of our subcontractors can always meet our requirements. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could impact upon our profitability, financial performance and reputation. 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.

In the event that our subcontractors fail to follow the safety guidelines and other requirements imposed by our customers, we may be liable to pay to our customers the expenses and penalties incurred by them. Although we are entitled to be compensated by our subcontractors in relation to such penalties under the subcontracting agreement, we may not be able to claim from such subcontractors in order to maintain a long-term relationship with our major subcontractors. In such event, we may be subject to additional costs and penalties incurred by our subcontractors in relation to their failure to comply with the safety procedures and other requirements imposed by our customers.

Estimation of project costs

When determining our tender price, our management would estimate the time and costs involved in a project taking into account (i) the scope of works; (ii) the price trend for the types of subcontracting services as well as materials and toolings required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the

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availability of our labour and financial resources. For further details on our pricing strategy, please refer to the paragraph headed “Business – Pricing strategy” in this document.

There is no assurance that the actual amount of time and costs incurred during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of materials agreed to be borne by us, unexpected increase in the amount of rectification works requested by our customers and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group’s financial condition, profitability and liquidity.

During the Track Record Period, our contracts with customers are generally on re-measurement basis and occasionally on a lump sum price basis or a combination of lump sum price items and re-measurement items, while our contracts with our subcontractors are generally on re-measurement basis. In the event that our contracts with customers are on a lump sum price basis and the cost of subcontracting increases and we are unable to pass on the risk of increased subcontracting fees to our customers, our profitability may be adversely affected.

Fluctuation in our cost of services

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

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of subcontracting fees, cost of materials and toolings and direct labour costs (being the major components of our costs of services) on our profit before income tax expense during the Track Record Period. The hypothetical fluctuation rates for subcontracting fees and direct labour costs are set at 1.3% and 8.3%, which correspond to the approximate minimum and maximum percentage changes in the average daily wages of wet trade workers in Hong Kong, respectively, from 2016 to 2021 as stated in the Industry Report (please refer to the paragraph headed “Industry Overview – Price trend of major cost components” in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for cost of materials and toolings are set at 1.5% and 17.6%, which correspond to the approximate minimum and maximum for the price of Portland cement, hydraulic lime, concrete blocks, aggregates and sand (being the major components of our cost of materials and toolings) in Hong Kong, respectively, from 2016 to 2021 as stated in the Industry Report (please refer to the paragraph headed

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“Industry Overview – Price trend of major cost components” in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our subcontracting fees	-1.3%	-8.3%	+1.3%	+8.3%
Increase/(decrease) in profit before income tax expense (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018/19	4,839	30,897	(4,839)	(30,897)
FY2019/20	5,360	34,224	(5,360)	(34,224)
FY2020/21	4,336	27,685	(4,336)	(27,685)
FY2021/22	4,328	27,632	(4,328)	(27,632)
Hypothetical fluctuations in our direct labour costs	-1.3%	-8.3%	+1.3%	+8.3%
Increase/(decrease) in profit before income tax expense (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018/19	302	1,931	(302)	(1,931)
FY2019/20	290	1,848	(290)	(1,848)
FY2020/21	277	1,768	(277)	(1,768)
FY2021/22	323	2,063	(323)	(2,063)
Hypothetical fluctuations in our cost of materials and toolings	-1.5%	-17.6%	+1.5%	+17.6%
Increase/(decrease) in profit before income tax expense (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2018/19	228	2,679	(228)	(2,679)
FY2019/20	375	4,406	(375)	(4,406)
FY2020/21	401	4,709	(401)	(4,709)
FY2021/22	493	5,786	(493)	(5,786)

Note: Our profit before income tax expense was approximately HK\$18.6 million, HK\$30.7 million, HK\$52.8 million and HK\$38.8 million for each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively.

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BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Please refer to note 1.3 of the Accountant's Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The principal accounting policies applied in the preparation of the financial information of our Group are in accordance with HKFRS. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountant's Report.

Some of the accounting policies involve judgements, estimates and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 4 to the Accountant's Report.

Revenue recognition

Revenue from provision of wet trades works is recognised over time as our Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Our Group has applied the input method in recognising the revenue from construction contracts over time by reference to our Group's efforts or inputs to the satisfaction on a performance obligation (for example, subcontracting fees, cost of materials and toolings) relative to the total expected inputs to the satisfaction of the performance obligation.

Impairment

Our Group assesses on a forward-looking basis, the expected credit losses associated with our debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including deposits and other receivables, our management considers that their credit risks have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if our Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an

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evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or our Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of printers and photocopiers.

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SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of comprehensive income for FY2018/19, FY2019/20, FY2020/21 and FY2021/22 are summarised below, which have been extracted from the Accountant's Report:

Consolidated statements of comprehensive income

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	447,920	513,154	440,369	456,432
Cost of services	<u>(416,409)</u>	<u>(467,153)</u>	<u>(386,447)</u>	<u>(398,744)</u>
Gross profit	31,511	46,001	53,922	57,688
Other income	85	208	19,628	592
Administrative expenses	(12,229)	(14,041)	(11,197)	(12,087)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(Impairment losses)/ reversal of impairment loss on trade receivables and contract assets	<u>(146)</u>	<u>(220)</u>	<u>(216)</u>	<u>360</u>
Operating profit	19,221	31,948	53,599	38,911
Finance income	40	127	34	1
Finance costs	<u>(704)</u>	<u>(1,402)</u>	<u>(843)</u>	<u>(140)</u>
Profit before income tax expense	18,557	30,673	52,790	38,772
Income tax expense	<u>(2,867)</u>	<u>(4,863)</u>	<u>(6,751)</u>	<u>(7,478)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u>15,690</u>	<u>25,810</u>	<u>46,039</u>	<u>31,294</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our Group’s revenue was derived from our services for the provision of wet trades works services in Hong Kong. For detailed breakdowns of our revenue during the Track Record Period by reference to project sectors and the types of development involved, please refer to the paragraph headed “Business – Business overview” and “Business – Projects undertaken during the Track Record Period” in this document.

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

Cost of services

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

	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	372,257	89.4	412,340	88.3	333,557	86.3	332,920	83.5
Direct labour costs	23,267	5.6	22,270	4.8	21,301	5.5	24,858	6.2
Cost of materials and toolings	15,221	3.7	25,032	5.4	26,756	6.9	32,876	8.3
Provision for an onerous contract	–	–	3,906	0.8	–	–	–	–
Others	5,664	1.3	3,605	0.7	4,833	1.3	8,090	2.0
Total	416,409	100.0	467,153	100.0	386,447	100.0	398,744	100.0

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Our cost of services during the Track Record Period comprised:

(a) *Subcontracting fees*

It represents the costs for engaging subcontractors for carrying out wet trades works on site, including plastering, tile laying, brick laying, floor screeding and marble work. According to the Industry Report, wet trades works project generally involves various trade of works and hence it may not be cost efficient for a contractor to undertake all works involved with its own staff. Therefore, we have focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform substantial part of the site works under our supervision. For further detail of our subcontractors, please refer to the paragraph headed “Business – Our suppliers” in this document.

(b) *Direct labour costs*

It represents our salaries and benefits provided to our staff who were directly involved in carrying out wet trades works, and our staff who were responsible for project management and quantity surveying of our projects.

Our Group does not have any formalised profit-sharing or bonus scheme. All bonus paid during the Track Record Period were discretionary in nature. Also, all senior management and staff members (subject to performance assessment as explained below) are entitled to such discretionary bonus if our executive Directors decide to declare such bonus. The amount of bonus that each employee is entitled to depends on the executive Directors’ assessment of the relevant staff’s performance and the financial performance and available financial resources of our Group during the financial year. For the years ended 31 March 2019, 2020, 2021 and 2022, our Group recognised expenses in relation to discretionary bonuses charged in cost of services of approximately HK\$1.3 million, HK\$1.3 million, HK\$1.9 million and HK\$1.8 million, respectively. No liabilities were recorded by our Group with respect to discretionary bonuses as at respective years end.

(c) *Cost of materials and toolings*

It represents costs for procuring materials and toolings required for performing our wet trades works. Depending on the contract terms with our customers, materials may be procured by us at our cost. The major types of materials that we required included Portland cement, hydraulic lime, concrete blocks, aggregates and sand and the major toolings that we required included personal protective equipment, parts and components for plaster spray machines and other wet trades works ancillary tools. In the circumstances where our customers procure certain tooling such as personal protective equipment and provide to us for our use at our cost, we would regard such customer as our supplier of the relevant toolings, further details of which are discussed in the paragraph headed “Business – Our Customer – Top customers who were also our suppliers” in this document.

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(d) Provision for an onerous contract

It represented the provision made for our loss-making project, namely Project #01, for FY2019/20. Please refer to "Business – Projects undertaken during the Track Record Period – Loss-making project during the Track Record Period" in this document and note 2.20 to the Accountant's Report for further details of Project #01 and the relevant accounting policies for the provision for an onerous contract.

(e) Others

It represents various miscellaneous expenses relevant to the provision of our works, mainly include expenses relating to short-term lease, repair and maintenance, depreciation, insurance, motor vehicles expenses, safety related expenses and sundry expenses.

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

The table below sets forth a breakdown of our other income during the Track Record Period:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grant				
– Youth Employment and Training Programme	85	187	278	591
– Employment Support Scheme	–	–	2,001	–
– Construction Industry Council's Employment Support Scheme for Construction Sector (Casual Employee)	–	–	17,111	–
Other	–	21	238	1
	<u>85</u>	<u>208</u>	<u>19,628</u>	<u>592</u>

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Our other income during the Track Record Period mainly comprised:

Government grant

It represents the government grants received by our Group, which mainly included (i) Youth Employment and Training Programme, which represented the wage subsidy granted to our Group for employing trainees under such programme; (ii) Employment Support Scheme under Anti-Epidemic Fund, which represented the wage subsidy granted to our Group for the use of paying wages and Mandatory Provident Fund (the “MPF”) of regular employees from June 2020 to November 2020; and (iii) Employment Support Scheme for the Construction Sector (Casual Employee) received from the Construction Industry Council, which represented the wage subsidy granted to our Group for the use of paying wages and MPF of casual employees from August 2020 to January 2021.

Please refer to note 6 to the Accountant’s Report for further details of our other income.

Administrative expenses

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

	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs (including directors’ emoluments)	7,432	60.8	6,359	45.3	7,489	66.9	7,725	63.9
Entertainment expenses	2,367	19.4	2,350	16.7	972	8.7	785	6.5
Depreciation	610	5.0	620	4.4	667	6.0	776	6.4
Motor vehicles expenses	630	5.2	477	3.4	600	5.4	526	4.4
Insurance	114	0.9	106	0.8	73	0.6	77	0.6
Legal and professional fees	49	0.4	2,050	14.6	312	2.8	1,192	9.9
Provision for litigation cases	–	–	611	4.4	–	–	–	–
Others	1,027	8.3	1,468	10.4	1,084	9.6	1,006	8.3
Total	12,229	100.0	14,041	100.0	11,197	100.0	12,087	100.0

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Our administrative expenses during the Track Record Period comprised:

(a) Staff costs

It represents the salaries, allowances, other benefits and contributions to retirement benefit scheme provided to our Directors, and finance and administration staff.

Our Group does not have any formalised profit-sharing or bonus scheme. All bonus paid during the Track Record Period were discretionary in nature. All our executive Directors, senior management and staff members (subject to performance assessment as explained below) are entitled to such discretionary bonus if our executive Directors decide to declare such bonus. The amount of bonus that each employee is entitled to depends on our executive Directors’ assessment of the relevant staff’s performance and the financial performance and available financial resources of our Group during the financial year. For the years ended 31 March 2019, 2020, 2021 and 2022, our Group recognised expenses in relation to discretionary bonuses charged in administrative expenses of approximately HK\$0.6 million, HK\$0.6 million, HK\$0.8 million and HK\$0.7 million, respectively. No liabilities were recorded by our Group with respect to discretionary bonuses as at the respective year end.

(b) Entertainment expenses

It represents costs in relation to the relationship building with existing and potential customers.

(c) Depreciation

It represents the depreciation charges for our office equipment and furniture, machinery, motor vehicles and right-of-use assets.

(d) Motor vehicles expenses

It represents the repair and maintenance costs and parking fee in relation to the use of motor vehicles.

(e) Insurance

It represents the insurance premium for insurance policies maintained by our Group.

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(f) Legal and professional expenses

It mainly represents the service fee incurred for accounting and legal services.

During FY2019/20, our Group incurred approximately HK\$1.6 million for engaging an independent adviser to (i) conduct review on the accounting and finance aspects and internal system of our Group and provide relevant recommendations; and (ii) provide training to our Group’s employees.

(g) Provision for litigation cases

It represents the provision made for legal claim from one of our Group’s ex-employees in relation to a workplace accident whereby our Directors, after obtaining independent legal advice, consider that our Group has present obligation and is probable to cause an outflow of economic resources as at 31 March 2020, 2021 and 2022. Please refer to the paragraph headed “Business – Litigations and claims – Ongoing civil litigations against our Group as at the Latest Practicable Date” in this document for further details.

(h) Others

It represents other administrative expenses, such as printing and stationery, donation, postage, utilities expenses, bank charges and sundry expenses.

Impairment losses on trade receivables and contract assets

Our Group recognised loss allowance provision for trade receivables of approximately HK\$25,000, HK\$57,000 and HK\$29,000 during FY2018/19, FY2019/20 and FY2020/21, respectively, while we recognised reversal of impairment loss on trade receivables of approximately HK\$58,000 during FY2021/22. Our Group recognised losses allowance provision for contract assets of approximately HK\$0.1 million, HK\$0.2 million and HK\$0.2 million during FY2018/19, FY2019/20 and FY2020/21, respectively, while we recorded reversal of impairment loss on contract assets of approximately HK\$0.3 million during FY2021/22.

Our total impairment losses on trade receivables and contract assets amounted to approximately HK\$0.1 million, HK\$0.2 million and HK\$0.2 million during FY2018/19 and FY2019/20 and FY2020/21, respectively, while we recorded reversal of impairment loss on trade receivables and contract assets of approximately HK\$0.4 million during FY2021/22.

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Finance costs, net

The table below sets forth a breakdown of our net finance costs during the Track Record Period:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance income	40	127	34	1
Finance costs				
– Interest expense on borrowings	(608)	(1,337)	(809)	(120)
– Interest expense on lease liabilities	(96)	(65)	(34)	(20)
	<u>(664)</u>	<u>(1,275)</u>	<u>(809)</u>	<u>(139)</u>

Our finance income during the Track Record Period represented the interest income from bank deposits, while our finance costs represented interest expense on borrowings and lease liabilities. The details of our bank borrowings and lease liabilities are disclosed in the paragraph headed “Indebtedness” in this section.

Income tax expense

Our Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions, while our two subsidiaries, namely Chan Kiu and Ying Wai, are subject to Hong Kong profits tax.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for Chan Kiu that is qualified under the two-tiered profits tax rate regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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Our income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax expense	<u>18,557</u>	<u>30,673</u>	<u>52,790</u>	<u>38,772</u>
Tax calculated at domestic tax rates applicable to profits in Hong Kong	2,897	4,896	8,545	6,232
Tax effects of:				
Income not subject to tax	(14)	(34)	(3,239)	(98)
Expenses not deductible for tax purpose	24	41	1,485	1,291
Under-provision in prior year	–	–	–	73
Tax concession	<u>(40)</u>	<u>(40)</u>	<u>(40)</u>	<u>(20)</u>
	<u><u>2,867</u></u>	<u><u>4,863</u></u>	<u><u>6,751</u></u>	<u><u>7,478</u></u>

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

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Effective tax rate	<u>15.4%</u>	<u>15.9%</u>	<u>11.0%</u>	<u>16.1%</u>

Note: The effective tax rate of FY2020/21 was relatively low, which was primarily attributable to the non-taxable government grants received by our Group during FY2020/21.

Save for an enquiry letter from the Inland Revenue Department in relation to the calculation of certain non-deductible expenses in the tax computation of Ying Wai which was not investigative in nature, none of our Group's operating subsidiaries or their respective shareholders/beneficial owners or directors has been the subject of any investigation or inquiries by, or has any disputes with, the tax authorities during the Track Record Period and up to the Latest Practicable Date.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2021/22 compared with FY2020/21

Revenue

Our revenue increased from approximately HK\$440.4 million for FY2020/21 to approximately HK\$456.4 million for FY2021/22, representing an increase of approximately HK\$16.1 million or 3.6%. Such increase in our revenue was mainly driven by the increase in the amount of works performed by our Group in some of our ongoing sizeable projects, including Project #16, a private residential project in Wong Chuk Hang, which contributed approximately HK\$61.4 million to our revenue during FY2021/22 (FY2020/21: approximately HK\$6.9 million).

Cost of services

Our cost of services increased from approximately HK\$386.4 million for FY2020/21 to approximately HK\$398.7 million for FY2021/22, representing an increase of approximately HK\$12.3 million or 3.2%. The increase was primarily driven by the increase in our revenue. Our cost of services mainly comprised subcontracting fees, cost of materials and toolings and direct labour costs.

The following is a discussion of the changes in the key components of our cost of services for FY2021/22 as compared to FY2020/21:

- (i) Our subcontracting fees slightly decreased from approximately HK\$333.6 million for FY2020/21 to approximately HK\$332.9 million for FY2021/22, representing a decrease of approximately HK\$0.6 million or 0.2%. Such decrease was because our Group procured the materials and toolings for several sizeable projects at our own cost, instead of requesting our subcontractors to provide materials and toolings which included such costs in subcontracting fees, which will be further discussed below;
- (ii) Our cost of materials and toolings increased from approximately HK\$26.8 million for FY2020/21 to approximately HK\$32.9 million for FY2021/22, representing an increase of approximately HK\$6.1 million or 22.9%. Depending on the contract terms agreed with our subcontractors, materials are (a) provided by our subcontractors at their cost; (b) procured by us at our cost; or (c) procured by us for our subcontractors' use at their costs and the amount we incurred for the purchases will be deducted from our payment to our subcontractors. According to the contract terms agreed with relevant subcontractors, we procured relevant materials and toolings at our own costs for Projects #16 and #19, which commenced in February 2021 and January 2021, respectively. We incurred cost of materials and toolings of approximately HK\$11.5 million for the two said projects for FY2021/22 (FY2020/21: approximately HK\$1.4 million, in aggregate); and

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- (iii) Our direct labour costs increased from approximately HK\$21.3 million for FY2020/21 to approximately HK\$24.9 million for FY2021/22, representing an increase of approximately HK\$3.6 million or 16.7%. Such increase was primarily attributable to the increase in our headcount of workers during FY2021/22, namely, our project supervision staff, quantity surveyors and safety supervision staff, in order to cope with our business expansion.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$53.9 million for FY2020/21 to approximately HK\$57.7 million for FY2021/22, representing an increase of approximately HK\$3.8 million or 7.0%. The increase in gross profit was primarily attributable to the increase in revenue for FY2021/22.

Our gross profit margin remained relatively stable at approximately 12.2% and 12.6% for FY2020/21 and FY2021/22, respectively.

Other income

Our other income decreased from approximately HK\$19.6 million for FY2020/21 to approximately HK\$0.6 million for FY2021/22, representing a decrease of approximately HK\$19.0 million. Such decrease was primarily attributable to the government grant received under Employment Support Scheme for Construction Sector (Causal Employee) from the Construction Industry Council and Employment Support Scheme under the Anti-Epidemic Fund, which amounted to approximately HK\$19.1 million, in aggregate, for FY2020/21, while our Group did not receive any of the aforesaid government grants for FY2021/22.

Administrative expenses

Our administrative expenses increased from approximately HK\$11.2 million for FY2020/21 to approximately HK\$12.1 million for FY2021/22, representing an increase of approximately HK\$0.9 million or 7.9%. Such increase was mainly due to the increase in legal and professional fee of approximately HK\$0.9 million for FY2021/22, which was primarily due to the legal fees incurred for two workplace accidents. For further details of the two aforementioned workplace accidents, please refer to the paragraph headed “Business – Occupational health and work safety – Fatal accident occurred in December 2019” and claim number 3 as described in the paragraph headed “Business – Litigations and claims – Ongoing civil litigations against our Group as at the Latest Practicable Date” in this document.

Finance costs, net

Our net finance costs decreased from approximately HK\$0.8 million for FY2020/21 to approximately HK\$0.1 million for FY2021/22, representing a decrease of approximately HK\$0.7 million. Such decrease was mainly due to the decrease in interest expense on bank borrowings of approximately HK\$0.7 million for FY2021/22.

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Income tax expense

Our income tax expense increased from approximately HK\$6.8 million for FY2020/21 to approximately HK\$7.5 million for FY2021/22, representing an increase of approximately HK\$0.7 million. Such increase was mainly due to the increase in our gross profit for FY2021/22.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased from approximately HK\$46.0 million for FY2020/21 to approximately HK\$31.3 million for FY2021/22, representing a decrease of approximately HK\$14.8 million or 32.0%. Such decrease was mainly driven by the decrease in our other income of approximately HK\$19.0 million, while such decrease was partially offset by the increase in our revenue and gross profit as mentioned above.

FY2020/21 compared with FY2019/20

Revenue

Our revenue decreased from approximately HK\$513.2 million for FY2019/20 to approximately HK\$440.4 million for FY2020/21, representing a decrease of approximately HK\$72.8 million or 14.2%. Such decrease in our revenue was mainly driven by:

- (i) decrease in the overall market opportunities in the wet trades works industry in Hong Kong. According to the Industry Report, the gross value of wet trades works in Hong Kong decreased from approximately HK\$11.6 billion for 2019 to approximately HK\$11.0 billion for 2020 which is mainly attributable to the temporary impact of the outbreak of COVID-19 in 2020. Some of the ongoing construction projects in Hong Kong have been postponed in progress due to the outbreak of COVID-19 in 2020, which led to the temporary decrease in demand for construction works as well as wet trades works in Hong Kong;
- (ii) a private residential project in Tai Po with adjusted contract sum of approximately HK\$92.3 million, namely, Project #03, contributed a relatively lower revenue of approximately HK\$11.2 million for FY2020/21 as compared to approximately HK\$81.0 million for FY2019/20 when a substantial amount of works was performed by our Group under the project;
- (iii) a private residential project in Tuen Mun with adjusted contract sum of approximately HK\$74.5 million, namely, Project #06, contributed a relatively lower revenue of approximately HK\$3.9 million for FY2020/21, as compared to approximately HK\$52.6 million for FY2019/20 when a substantial amount of works was performed by our Group under the project; and

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- (iv) as mentioned above, some projects had been substantially completed in FY2019/20 while new projects with large contract sum were awarded or commenced works after the third quarter of 2020 onwards, such as (a) Project #18, a public sector project in relation to the restructuring of a hospital located in Yau Ma Tei with adjusted contract sum of approximately HK\$72.5 million which was commenced in September 2020; (b) Project #19, a private residential project in Cheung Sha Wan with adjusted contract sum of approximately HK\$50.0 million which was commenced in January 2021; and (c) Project #15, a private residential project in Tuen Mun with adjusted contract sum of approximately HK\$48.6 million which was commenced in November 2020.

Cost of services

Our cost of services decreased by approximately HK\$80.7 million or 17.3% from approximately HK\$467.2 million for FY2019/20 to approximately HK\$386.4 million for FY2020/21. The decrease in our cost of services corresponds to the decrease in our revenue. Our cost of services mainly comprised subcontracting fees, cost of materials and toolings and direct labour costs.

The following is a discussion of the changes in the key components of our cost of services for FY2019/20 as compared to FY2020/21:

- (i) Our subcontracting fees decreased from approximately HK\$412.3 million for FY2019/20 to HK\$333.6 million for FY2020/21, representing a decrease of approximately HK\$78.8 million or 19.1%. Such decrease was mainly due to (i) the decrease in the amounts of site works outsourced to subcontractors as illustrated by the decrease in revenue; (ii) subcontracting fee incurred in FY2020/21 of approximately HK\$3.7 million for Project #01, which was a loss-making project, has been recognised as the provision for an onerous contract in FY2019/20; and (iii) cost of materials and toolings agreed to be borne by our subcontractors are generally reflected in the subcontracting fees charged to us. In FY2020/21, there were 32 projects that we procured materials at our own costs for our subcontractors' use as compared to only 24 projects in FY2019/20. As a result, a lower proportion of cost of materials and toolings were borne by our subcontractors during FY2020/21, resulting in a lower amount of subcontracting fees charged to us.
- (ii) Despite the decrease in our revenue, our cost of materials and toolings increased from approximately HK\$25.0 million for FY2019/20 to HK\$26.8 million for FY2020/21, which was mainly because we procured materials of approximately HK\$5.7 million at our costs for Project #14, a private residential project in Wong Chuk Hang in FY2020/21. Depending on the contract terms agreed with our subcontractors, materials are (a) provided by our subcontractors at their cost; (b) procured by us at our cost; or (c) procured by us for our subcontractors' use at their costs and the amount we incurred for the purchases will be deducted from our payment to our subcontractors. In FY2020/21, there were 32 projects that we procured materials at our own costs for our subcontractors' use as compared to only 24 projects in FY2019/20; and

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- (iii) Our direct labour costs remained relatively stable at approximately HK\$22.3 million and HK\$21.3 million for FY2019/20 and FY2020/21, respectively.

Gross profit and gross profit margin

Despite the decrease in our revenue, our gross profit increased from approximately HK\$46.0 million for FY2019/20 to approximately HK\$53.9 million for FY2020/21, representing an increase of approximately HK\$7.9 million or 17.2%. Our gross profit margin increased from approximately 9.0% for FY2019/20 to approximately 12.2% for FY2020/21. We recorded a relatively lower gross profit margin for FY2019/20, which was mainly due to a loss-making project, namely Project #01. Our Group recorded a gross loss of approximately HK\$8.1 million in relation to Project #01 for FY2019/20, including a provision for an onerous contract of approximately HK\$3.9 million made during FY2019/20. Please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Loss-making project during the Track Record Period” in this document for further details of Project #01, and the paragraph headed “Principal components of results of operations – Cost of services” in this section for further details of the provision for an onerous contract. In comparison, we did not record any loss in respect of any of the projects undertaken by us in FY2020/21.

In addition to the effect of Project #01, the increase in our gross profit margin was also attributable to projects with relatively high gross profit margin we undertook or commenced during FY2020/21, namely, (i) Project #07; (ii) Project #09; and (iii) a public infrastructure and public facilities project for carrying out wet trades works at a temporary quarantine and treatment centre at Asia World Expo. In relation to Project #07, our customer has requested us to arrange overtime works and night shift. Having considered the additional costs associated with engaging subcontractors to work overtime and at night, we had set a higher pricing for such project. Project #07 contributed gross profit of approximately HK\$10.9 million for FY2020/21. In respect of Project #09, a public sector project in relation to redevelopment of a government staff quarter, the work specifications were relatively standardised without very complicated craftsmanship requirements, which resulted in less rectification works performed by us than expected. Therefore, we were able to record a relatively higher profit margin from Project #09, which contributed a gross profit of approximately HK\$7.5 million to our Group for FY2020/21. In relation to the public infrastructure and public facilities project for carrying out wet trades works at a temporary quarantine and treatment centre at Asia World Expo, our customer has requested us to follow certain specific requirements for the temporary quarantine and treatment centre and we had to arrange overtime works and night shift to ensure timely completion of the project. Therefore, due to these complexities, we had set a higher pricing for such project. Such project contributed gross profit of approximately HK\$6.6 million for FY2020/21.

Other income

Our other income increased from approximately HK\$0.2 million for FY2019/20 to approximately HK\$19.6 million for FY2020/21. Such increase was primarily attributable to (i) the government grant received under the Employment Support Scheme for the Construction Sector (Casual Employee) from the Construction Industry Council of approximately HK\$17.1

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million for FY2020/21 (for FY2019/20: nil); and (ii) the government grant received under Employment Support Scheme under Anti-Epidemic Fund of approximately HK\$2.0 million for FY2020/21 (for FY2019/20: nil).

Administrative expenses

Our administrative expenses decreased from approximately HK\$14.0 million for FY2019/20 to approximately HK\$11.2 million for FY2020/21, representing a decrease of approximately HK\$2.8 million or 20.3%. Such decrease in administrative expenses was primarily attributable to (i) the decrease in our legal and professional fees of approximately HK\$1.7 million for FY2020/21, which was mainly due to the accounting and internal system review services performed during FY2019/20. Pursuant to an engagement letter dated 22 November 2019, our Group engaged an independent adviser to (i) conduct review on the accounting and finance aspects and internal system of our Group and provide relevant recommendations; and (ii) provide training to our Group's employees for a total fee of HK\$1.6 million; and (ii) the decrease in entertainment expenses of approximately HK\$1.4 million for FY2020/21, which was mainly because of the outbreak of COVID-19, leading to less relationship building activities carried out by our Directors during such period.

Finance costs, net

Our net finance costs decreased from approximately HK\$1.3 million for FY2019/20 to approximately HK\$0.8 million for FY2020/21, representing a decrease of approximately HK\$0.5 million. Such decrease was mainly attributable to the decrease in interest expense on borrowings of approximately HK\$0.5 million for FY2020/21.

Income tax expense

Our income tax expense increased from approximately HK\$4.9 million for FY2019/20 to approximately HK\$6.8 million for FY2020/21, representing an increase of approximately HK\$1.9 million or 38.8%. The increase was primarily due to the increase of our profit before income tax expense as a result of all of the aforesaid and in particular the increase in gross profit for FY2020/21.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our gross profit and other income, our profit and total comprehensive income for the year increased from approximately HK\$25.8 million for FY2019/20 to approximately HK\$46.0 million for FY2020/21, while such increase was partially offset by the recognition of the non-recurring [REDACTED] expenses of approximately HK\$[REDACTED] for FY2020/21.

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FY2019/20 compared with FY2018/19

Revenue

Our revenue increased by approximately HK\$65.2 million or 14.6% from approximately HK\$447.9 million for FY2018/19 to approximately HK\$513.2 million for FY2019/20. Such increase in our revenue was mainly driven by:

- (i) a substantial amount of works were performed by our Group for projects newly commenced in FY2019/20, namely, (a) Project #03, a private residential project in Tai Po, which contributed approximately HK\$81.0 million to our revenue; and (b) Project #04, a private residential project in Lohas Park, which contributed approximately HK\$31.8 million to our revenue; and
- (ii) increase in revenue contributed by some of our sizeable ongoing projects in FY2019/20 as a result of the increase in amount of works performed by our Group, including (a) Project #05, a private residential project in Tuen Mun, which contributed approximately HK\$51.0 million to our revenue during FY2019/20 (FY2018/19: approximately HK\$3.0 million); (b) Project #06, a private residential project in Tuen Mun, which contributed approximately HK\$52.6 million to our revenue during FY2019/20 (FY2018/19: approximately HK\$18.1 million); and (c) Project #12, a private residential project in Yuen Long, which contributed approximately HK\$35.7 million to our revenue during FY2019/20 (FY2018/19: approximately HK\$6.7 million).

Cost of services

Our cost of services increased by approximately HK\$50.7 million or 12.2% from approximately HK\$416.4 million for FY2018/19 to approximately HK\$467.2 million for FY2019/20. The increase in our cost of services corresponds to the increase in our revenue. Our cost of services mainly comprised subcontracting fees, cost of materials and toolings and direct labour costs.

The following is a discussion of the changes in the key components of our cost of services during FY2019/20 as compared to FY2018/19:

- (i) Our subcontracting fees increased from approximately HK\$372.3 million for FY2018/19 to approximately HK\$412.3 million for FY2019/20, representing an increase of approximately HK\$40.1 million or 10.8%. Such increase was mainly due to the increase in amount of site works outsourced to subcontractors as a result of the relatively sizeable projects that we undertook or commenced during FY2019/20, including Project #03 and Project #05.

Notwithstanding the said increase in our subcontracting fees, the increase was less than-proportionate to our increase in revenue during the same period, which was

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mainly because the said increase in subcontracting fees was partially offset by the decrease in our subcontracting fees incurred for Project #01 and Project #02 from FY2018/19 to FY2019/20. The amount of subcontracting fees incurred for Project #01 decreased from approximately HK\$108.3 million for FY2018/19 to approximately HK\$19.1 million for FY2019/20. The substantial amount of subcontracting fees incurred by us for Project #01 in FY2018/19 was mainly attributable to the additional cost for performing unexpected rectification works as requested by Sanfield. Please refer to the paragraph headed "Business – Projects undertaken during the Track Record Period – Loss-making project during the Track Record Period" in this document for further details.

Further, the amount of subcontracting fees incurred by us under Project #02 also decreased from approximately HK\$58.7 million for FY2018/19 to approximately HK\$28.0 million for FY2019/20. The substantial amount of subcontracting fees incurred by us under Project #02 in FY2018/19 was mainly because based on our negotiation with Customer Group A, we were required to complete a substantial part of tile laying works under Project #02, which had commenced in April 2018, during FY2018/19. In respect of Project #02, Customer Group A was responsible for the provision of tile-related materials to our Group for performing the tile laying works. After we had commenced performing the tile laying works for Project #02, there was a change of material for performing such works after our discussion with Customer Group A, resulting in a shorter period of time for us in completing the works. Our Group had therefore engaged additional subcontracting services in FY2018/19 for completing the tile laying works under Project #02 according to the original project schedule. Taking into consideration our established long-term business relationship with and the business opportunities arising from Customer Group A, we had endeavoured to accommodate its demand without charging them any additional fees for catering to such change.

- (ii) Our cost of materials and toolings increased from approximately HK\$15.2 million for FY2018/19 to approximately HK\$25.0 million for FY2019/20, representing an increase of approximately HK\$9.8 million or 64.5%. Depending on the contract terms agreed with our customers, materials and toolings may be (i) procured by us at our cost; (ii) provided by our customers at their cost; or (iii) procured by our customers for our use and such costs will be subsequently deducted in the relevant payment certificates issued to us. According to the contract terms agreed with Sanfield, most of the materials and toolings for Project #01 were provided by Sanfield at its costs, which contributed approximately HK\$122.4 million to our revenue during FY2018/19 and we only incurred approximately HK\$3.8 million for cost of materials and toolings for Project #01 during the same period. On the other hand, more projects during FY2019/20 required our Group to procure relevant materials and toolings at our own cost, namely, Project #03 and Project #12. We incurred cost of materials and toolings of approximately HK\$6.9 million and HK\$5.6 million, respectively, for these two projects during FY2019/20; and

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- (iii) Our direct labour costs remained relatively stable at approximately HK\$23.3 million and HK\$22.3 million for FY2018/19 and FY2019/20, respectively.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$31.5 million for FY2018/19 to approximately HK\$46.0 million for FY2019/20, representing an increase of approximately HK\$14.5 million or 46.0%. The increase in gross profit was primarily attributable to the increase in revenue for FY2019/20 as discussed above.

Our gross profit margin increased from approximately 7.0% for FY2018/19 to approximately 9.0% for FY2019/20, which was mainly attributable to a substantial amount of works performed under Project #02 in FY2018/19 as compared to FY2019/20 for which we recorded a lower gross profit margin. Our revenue derived from Project #02 decreased from approximately HK\$64.0 million for FY2018/19 to approximately HK\$30.9 million for FY2019/20. Based on our negotiation with Customer Group A, we were required to complete a substantial part of tile laying works under Project #02, which had commenced in April 2018, during FY2018/19. In respect of Project #02, Customer Group A was responsible for the provision of tile-related materials to our Group for performing the tile laying works. After we had commenced performing the tile laying works for Project #02, there was a change of material for performing such works after our discussion with Customer Group A, resulting in a shorter period of time for us in completing the works. Our Group had therefore engaged additional subcontracting services in FY2018/19 for completing the tile laying works under Project #02 according to the original project schedule. Taking into consideration our established long-term business relationship with and the business opportunities arising from Customer Group A, we had endeavoured to accommodate its demand without charging them any additional fees for catering to such change. As a result, we recorded a relatively lower profit margin for Project #02 in the corresponding year.

Other income

Our other income increased from approximately HK\$85,000 for FY2018/19 to approximately HK\$0.2 million for FY2019/20, representing an increase of approximately HK\$0.1 million. Such increase was primarily attributable to the increase in government grant received under Youth Employment and Training Programme from approximately HK\$85,000 for FY2018/19 to approximately HK\$0.2 million for FY2019/20.

Administrative expenses

Our administrative expenses increased from approximately HK\$12.2 million for FY2018/19 to approximately HK\$14.0 million for FY2019/20, representing an increase of approximately HK\$1.8 million or 14.8%. Such increase in our administrative expenses was primarily contributed by the increase in our legal and professional fees of approximately HK\$2.0 million, which was mainly due to the accounting and internal system review services performed during FY2019/20. Such increase was partially offset by the decrease in our staff costs (including

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directors’ emoluments) of approximately HK\$1.1 million for FY2019/20, which was mainly due to the decrease in directors’ emoluments.

Finance costs, net

Our net finance costs increased from approximately HK\$0.7 million for FY2018/19 to approximately HK\$1.3 million for FY2019/20, representing an increase of approximately HK\$0.6 million or 92.0%. Such increase was largely due to the increase in the interest expense on borrowings for supporting our business operation of approximately HK\$0.7 million for FY2019/20.

Income tax expense

Our income tax expense increased from approximately HK\$2.9 million for FY2018/19 to approximately HK\$4.9 million for FY2019/20, representing an increase of approximately HK\$2.0 million. Such increase was primarily due to the increase of our profit before income tax expense as a result of all of the aforesaid and in particular the increase in revenue and gross profit for FY2019/20.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the aforesaid and in particular the increase in our revenue and gross profit, our profit and total comprehensive income for the year increased from approximately HK\$15.7 million for FY2018/19 to approximately HK\$25.8 million for FY2019/20.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and bank borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the [REDACTED] from the [REDACTED] to finance a portion of our liquidity requirements.

As at 31 May 2022, being the latest practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately HK\$4.7 million. As at 31 May 2022, we had unutilised banking facilities of approximately HK\$12.7 million. Up to the Latest Practicable Date, the bank granted our Group additional tax loan facilities of HK\$33.5 million, in aggregate, of which HK\$14.4 million of the tax loan facilities was unutilised as at the Latest Practicable Date.

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Cash flows

	FY2018/19 <i>HK\$'000</i>	FY2019/20 <i>HK\$'000</i>	FY2020/21 <i>HK\$'000</i>	FY2021/22 <i>HK\$'000</i>
Operating profit before changes in working capital	20,556	37,874	55,067	39,868
Changes in working capital	(45,924)	(56,654)	(3,395)	(9,360)
Income tax (paid)/refunded, net	(23,775)	29	7,216	(16,155)
Net cash (used in)/generated from operating activities	(49,143)	(18,751)	58,888	14,353
Net cash used in investing activities	(462)	(205)	(1,288)	(873)
Net cash generated from/(used in) financing activities	8,103	(13,901)	(32,224)	(2,003)
Net (decrease)/increase in cash and cash equivalent	(41,502)	(32,857)	25,376	11,477
Cash and cash equivalents at beginning of the year	65,052	23,550	(9,307)	16,069
Cash and cash equivalents at end of the year	<u>23,550</u>	<u>(9,307)</u>	<u>16,069</u>	<u>27,546</u>

Our cash and cash equivalents at end of FY2018/19, FY2020/21 and FY2021/22 amounted to approximately HK\$23.6 million, HK\$16.1 million and HK\$27.5 million, respectively, while we recorded a negative cash and cash equivalent at end of FY2019/20 of approximately HK\$9.3 million. Such negative cash balance for FY2019/20 was primarily attributable to (i) the operating cash flow mismatch between our receivables and payables as a result of (a) the net cash outflows for projects at the preliminary stage, such as Project #09 and Project #13, during FY2019/20; and (b) the net cash outflows for projects which incurred additional costs for performing rectification works and/or variation orders during FY2019/20, such as Project #01, Project #02 and Project #06; and (ii) the use of the bank overdraft of HK\$16.1 million for supporting our working capital needs.

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Our Group recorded net cash used in operating activities of approximately HK\$49.1 million and HK\$18.8 million for FY2018/19 and FY2019/20, respectively. Such net operating cash outflows were primarily attributable to (i) the rectification works performed under Project #01, which resulted in net cash outflows of approximately HK\$14.3 million and HK\$7.0 million during FY2018/19 and FY2019/20, respectively. As the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we have performed additional rectification works, which resulted in cost overrun; and (ii) the up-front costs incurred for projects at its early stage, such as, Project #05, which recorded net cash outflows of approximately HK\$1.7 million during FY2018/19, Project #09, which recorded net cash outflows of approximately HK\$7.8 million during FY2019/20, and Project #13, which recorded net cash outflows of approximately HK\$5.3 million during FY2019/20. Please refer to “Liquidity and capital resources – Cash flows from operating activities” in this section for further details.

Cash flows from operating activities

Our operating cash inflows are primarily derived from our revenue from undertaking wet trades works in Hong Kong, whereas our operating cash outflows mainly include payment for subcontracting fees and direct labour costs, purchase of materials and toolings, as well as other working capital needs.

Net cash used in operating activities primarily consisted of profit before income tax expense adjusted for depreciation of plant and equipment, depreciation of right-of-use assets, finance income, finance costs, provision for litigation cases, provision for an onerous contract, gain on early termination of a lease, net loss on disposal of plant and equipment and impairment losses on trade receivables and contract assets, and the effect of changes in working capital such as the changes in contract assets, trade and other receivables, deposits and prepayments, trade payables, accruals and other payables and contract liabilities.

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The following table sets forth a reconciliation of our profit before income tax expense to net cash (used in)/generated from operations:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax				
expense	18,557	30,673	52,790	38,772
Adjustments for:				
Depreciation of plant and equipment	459	459	544	824
Depreciation of right-of-use assets	730	730	698	493
Finance income	(40)	(127)	(34)	(1)
Finance costs	704	1,402	843	140
Provision for a litigation case	–	611	–	–
Provision for an onerous contract	–	3,906	–	–
Gain on early termination of a lease	–	–	(2)	–
Loss on disposal on/written off of plant and equipment, net	–	–	12	–
Impairment losses/(reversal of impairment losses) on trade receivables and contract assets	146	220	216	(360)
Operating profit before changes in working capital	20,556	37,874	55,067	39,868
Changes in working capital:				
Increase in contract assets	(27,939)	(25,676)	(15,023)	(12,665)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(25,764)	(13,933)	15,776	9,326
Increase/(decrease) in trade payables, accruals and other payables	24,487	(14,929)	9,909	(5,104)
Decrease in contract liabilities	(16,708)	(2,116)	(14,057)	(917)
Cash (used in)/generated from operating activities	<u>(25,368)</u>	<u>(18,780)</u>	<u>51,672</u>	<u>30,508</u>

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For each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the respective difference between our profit before income tax expense and our net cash (used in)/generated from operating activities were mainly due to the changes in working capital needs in our projects, including in particular the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers and subcontractors.

Our net cash used in operating activities amounted to approximately HK\$49.1 million and HK\$18.8 million for FY2018/19 and FY2019/20, respectively. Our net cash generated from operating activities amounted to approximately HK\$58.9 million and HK\$14.4 million for FY2020/21 and FY2021/22, respectively. Such net operating cash inflow was primarily because (i) our customer settled the trade receivables for Project #03 during FY2020/21 as substantial amount of works was performed by our Group during FY2019/20, resulting in the decrease of trade receivables of Project #03 from HK\$11.1 million for FY2019/20 to nil for FY2020/21; (ii) Project #01, where it turned from net cash outflow of approximately HK\$7.0 million for FY2019/20 to net cash inflow of approximately HK\$5.7 million and HK\$8.7 million for FY2020/21 and FY2021/22 respectively. During the project implementation of Project #01, we realised that the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we have performed additional rectification works which resulted in additional costs incurred during FY2019/20 and our customer settled our fees for the relevant works during FY2020/21; and (iii) the cash inflow in relation to our other income of approximately HK\$19.6 million for FY2020/21, in particular, the one-off government grants received by our Group. Please refer to “Principal components of results of operations – Other income” in this section for further details of the one-off government grants received by our Group.

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The following table sets forth the cash inflows and cash outflows for the top projects undertaken in terms of revenue during the Track Record Period:

Project	Contract sum and completion date (Note 1) HK\$'000	FY2018/19		FY2019/20		FY2020/21		FY2021/22					
		Cash inflows (Note 2) HK\$'000	Cash outflows (Note 3) HK\$'000	Net cash inflows/ (outflows) HK\$'000	Cash inflows (Note 2) HK\$'000	Cash outflows (Note 3) HK\$'000	Net cash inflows/ (outflows) HK\$'000	Cash inflows (Note 2) HK\$'000	Cash outflows (Note 3) HK\$'000	Net cash inflows/ (outflows) HK\$'000			
#01	141,578 March 2018 to April 2021	99,863	(114,143)	(14,280)	23,084	(30,081)	(6,997)	9,906	(4,225)	5,681	8,725	(14)	8,711
#02	100,778 April 2018 to July 2021	58,430	(56,876)	1,554	28,138	(36,211)	(8,073)	7,756	(5,785)	1,971	3,934	(548)	3,386
#03	92,250 July 2019 to May 2022	-	-	-	60,854	(55,214)	5,640	25,362	(17,628)	7,734	-	(13)	(13)
#04	100,230 June 2019 to August 2022	-	-	-	21,110	(22,813)	(1,703)	63,570	(49,357)	14,213	9,190	(10,962)	(1,772)
#05	81,252 December 2018 to August 2022	-	(1,650)	(1,650)	50,247	(47,459)	2,788	21,382	(19,793)	1,589	4,938	(4,830)	108
#06	74,500 June 2018 to July 2020	13,570	(12,270)	1,300	50,474	(56,138)	(5,664)	6,990	(5,601)	1,389	1,879	(85)	1,794
#07	110,000 March 2020 to March 2023	-	-	-	-	-	-	52,167	(52,909)	(742)	48,275	(38,503)	9,772
#08	70,168 August 2018 to July 2021	16,469	(17,048)	(579)	43,658	(39,618)	4,040	7,666	(4,379)	3,287	2,374	(85)	2,289
#09	69,842 July 2019 to December 2021	-	-	-	5,274	(13,114)	(7,840)	57,266	(43,766)	13,500	7,303	(2,138)	5,165
#10	64,504 July 2018 to December 2021	13,235	(12,411)	824	39,154	(37,321)	1,833	5,772	(8,955)	(3,183)	2,459	(2,875)	(416)

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Project	Contract sum and commencement date (Note 1) HK\$'000	FY2018/19		FY2019/20		FY2020/21		FY2021/22	
		Cash inflows (Note 2) HK\$'000	Net cash inflows/ (outflows) HK\$'000	Cash inflows (Note 2) HK\$'000	Net cash inflows/ (outflows) HK\$'000	Cash inflows (Note 2) HK\$'000	Net cash inflows/ (outflows) HK\$'000	Cash inflows (Note 2) HK\$'000	Net cash inflows/ (outflows) HK\$'000
#11	51,189 June 2018 to August 2022	23,346	(1,315)	23,429	2,397	1,586	1,001	1,482	191
#12	48,785 November 2018 to March 2021	3,011	(472)	34,751	899	9,805	2,251	-	(119)
#13	42,500 September 2019 to March 2022	-	-	4,386	(5,337)	32,182	3,460	4,116	1,683
#14	75,000 February 2020 to April 2023	-	-	-	(13)	23,664	(8,182)	43,455	10,004
#15	48,600 November 2020 to August 2022	-	-	-	-	6,456	(3,924)	37,009	6,629
#16	75,000 February 2021 to March 2023	-	-	-	-	-	(5,588)	59,456	7,202
#17	51,000 December 2020 to September 2022	-	-	-	-	3	(2,845)	44,043	6,712
#18	72,466 September 2020 to March 2023	-	-	-	-	5,448	262	28,656	(3,940)
#19	50,000 January 2021 to September 2022	-	-	-	-	-	(3,221)	32,625	1,220

Notes:

1. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
2. Cash inflows shown in the above table represent settlements from the customers.
3. Cash outflows shown in the above table include settlements to the subcontractors and suppliers and payments of direct labour costs.

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The net operating cash flow fluctuated during the Track Record Period, which was mainly due to the following reasons:

- (i) *Different construction stage of our projects:* We generally experience net cash outflows (where the settlements to subcontractors and suppliers and payments of direct labour costs outweigh the settlements from customers, if any) at the preliminary stage of a project, as we incur up-front costs including subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs. Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months (the “**Up-front Period**”). Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 20% of the contract sum of the project.

Based on our experience, the settlements from our customers over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of works, while the costs incurred by us (i.e. the settlements to subcontractors and suppliers and payments of direct labour costs) typically experienced a less-than-proportionate increase over the period. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses. Similar situation could be observed in Project #05, Project #09 and Project #13 with adjusted contract sum of approximately HK\$81.3 million, HK\$69.8 million and HK\$42.5 million, respectively, and incurred up-front cost in the early stage of projects, and turned from net cash outflows during the respective financial years into net cash inflows afterwards. Project #05, which commenced in December 2018 and expects to be completed in August 2022, turned from net cash outflows of approximately HK\$1.7 million during FY2018/19 (early stage of the project) to net cash inflows of approximately HK\$2.8 million, HK\$1.6 million and HK\$0.1 million during FY2019/20 (peak stage of the project), FY2020/21 and FY2021/22 (approaching final stage of the project), respectively. Project #09, which commenced in July 2019 and completed in December 2021, turned from net cash outflows of approximately HK\$7.8 million during FY2019/20 (early stage of the project) to net cash inflows of approximately HK\$13.5 million during FY2020/21 (peak stage of the project), HK\$1.2 million during FY2021/22 (approaching final stage of the project) and HK\$5.2 million for FY2021/22 (final stage of the project). Project #13, which commenced in September 2019 and completed in March 2022, turned from net cash outflows of approximately HK\$5.3 million during FY2019/20 (early stage of the project) to net cash inflows of approximately HK\$3.5 million during FY2020/21 (peak stage of the project) and HK\$1.7 million for FY2021/22 (final stage of the project). In addition, our Group obtained several sizeable projects in 2021, where our Group incurred up-front costs during FY2021/22 and led to net cash outflows for these newly awarded projects, such as Project #19. Project #19, with an adjusted contract sum of

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approximately HK\$50.0 million, was at the early stage of the project as it commenced in January 2021 and expects to be completed in September 2022. The costs incurred by us for Project #19 outweighed the settlements from our customers during FY2020/21, which resulted in net cash outflows of approximately HK\$3.2 million during the same period. Such cash outflows turned to net cash inflows of approximately HK\$1.2 million during FY2021/22, as the project progresses.

- (ii) *Rectification works and/or variation orders:* We incur additional cost for performing rectification works and/or variation orders as requested by our customers for some of our projects, leading to net cash outflows. In particular for Project #01, our loss-making project with adjusted contract sum of approximately HK\$141.6 million during the Track Record Period, which commenced in March 2018 and completed in April 2021, the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, we have performed additional rectification works, which were unexpected during the tender stage of Project #01, resulting in cost overrun and net cash outflows of approximately HK\$14.3 million and HK\$7.0 million during FY2018/19 and FY2019/20, respectively. We also incurred additional cost for performing rectification works and/or variation orders for certain projects, Project #02 and Project #06 for FY2019/20, which resulted in net cash outflows of approximately HK\$8.1 million and HK\$5.7 million, respectively, Project #14 for FY2020/21, which resulted in net cash outflows of approximately HK\$8.2 million, and Project #04 for FY2021/22, which resulted in net cash outflows of approximately HK\$1.8 million.
- (iii) *Cash flow mismatch during project implementation and certification and billing process:* There are often time lags between settlements to our subcontractors and suppliers and settlements from our customers during project implementation, resulting in possible cash flow mismatch during respective financial year. Our Group generally incurs costs before or along with the performance of our works as we have to pay our suppliers for procuring the necessary materials and toolings required for performing our wet trades works and our subcontractors for carrying out the wet trade works on site. Meanwhile, our customers generally make progress payments according to our works performed, and such payments are required to be certified by our customers before we issue an invoice to our customers. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, our trade receivables and contract assets turnover days were approximately 73.6 days, 96.3 days, 127.7 days and 124.2 days, which generally represented the timeframe since we performed works and up to the settlement of our invoice for the relevant works from our customers. Meanwhile, our trade payables and accrual for subcontracting costs turnover days were 27.5 days, 28.0 days, 32.0 days and 34.2 days, which generally represented the timeframe since we received goods or services from our suppliers and subcontractors and up to our settlement of payment to them. This demonstrates that it generally takes a significantly longer period for us to receive settlements from our customers, as compared to the time it took us to settle our payments to subcontractors and suppliers. We may experience cash flow mismatch from time to time as our projects progress, which largely depend on (i) the certification process of our customers; (ii) our customers' internal process for

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approving our invoices; (iii) the credit terms granted to us by our suppliers; and (iv) the number and scale of our projects in progress. For instance, in respect of Project #01, we received settlements from customers of approximately HK\$99.9 million, HK\$23.1 million, HK\$9.9 million and HK\$8.7 million during FY2018/19, FY2019/20, FY2020/21 and the FY2021/22, respectively, while we settled approximately HK\$107.1 million, HK\$26.2 million, HK\$4.1 million and HK\$14,000 to our subcontractors and suppliers during FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. Therefore, we recorded a net cash inflow of approximately HK\$5.7 million and HK\$8.7 million of Project #01 in FY2020/21 and FY2021/22 because our customer settled our fee during FY2020/21 and FY2021/22 for the additional rectification works that we performed during FY2019/20, while we recorded net cash outflows (where the settlements to subcontractors and suppliers and payments of direct labour costs outweigh the settlements from customers) of such project during FY2018/19 and FY2019/20.

In light of the possible cash flow mismatch, we adopt the following measures in order to manage our liquidity position and maintain our cash flow position from operations:

- before undertaking each new contract, our finance department, led by our financial controller (namely, Mr. Choi Wan Sang Vincent, whose experience and qualifications are disclosed in the paragraph headed "Directors and senior management – Senior management" in this document), will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project having considered the size and complexity of project, the relationship with customer, credit history and financial track record, the expected payments to suppliers and subcontractors and the relevant finance costs (if necessary) and our overall business operations for the approval of our Directors so as to ensure the sufficiency of our financial resources before undertaking a new project;
- if, based on the regular monitoring by our finance department, there is any expected shortage of internal financial resources, we may refrain from tendering for new projects and/or consider different financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions; and
- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, among other things (i) ensuring healthy bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly review of our trade payables and aging analysis to ensure that payments to our suppliers are made on a timely basis.

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We have established the following policies with a view to further improve our cash flow position on project level since May 2021:

- our project management team shall prepare a profit and cashflow forecast, inclusive of a cost budget, for each project prior to its commencement. The profit and cashflow forecast shall be submitted to our finance and administration department and executive Directors for approval. Our projects shall be implemented according to the respective cost budget;
- actual expenses incurred and cashflow status of each project is monitored by our project management team on an ongoing basis. Our project management team is responsible for documenting cash inflow from customers and cash outflow to suppliers and subcontractors and preparing cashflow statements for each project and submitting the cashflow statements to our finance and administration department on a monthly basis;
- our finance and administration department, led by our financial controller, is responsible for reviewing the cashflow statements and performing analysis on any difference between the actual and forecast cashflow for each project and submitting the cashflow statements to our Group's management for review;
- revisions to project cost budget, which requires approval from our executive Directors, may be made to control the cost target of projects. Any revisions to project cost budget shall (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the project. Revisions to cost budget may be made due to rectification works, changes in work scope, material changes in economic conditions or occurrence of force majeure event;
- in the event that there is significant net cash outflow of a project which indicates delay in payment certification or loss making project, our finance and administration staff will actively follow up with the relevant customer for payment or plan for financing;
- our finance and administration staff is responsible for performing review of subsequent settlement of trade receivables, trade payables and contract assets on a monthly basis;
- after our customers acknowledge our monthly payment applications, our finance and administration staff will closely communicate with the customers on the status of the certification process. Our executive Directors will ensure that any customers' feedbacks on our Group's payment applications are promptly addressed; and
- material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions, including active communications and conducting follow up calls with the customers.

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Analysis on our net operating cash position

Our cash and cash equivalents increased from approximately HK\$16.1 million as at 31 March 2021 to approximately HK\$27.5 million as at 31 March 2022. Such increase was attributable to our net cash generated from operating activities during the year.

During the Track Record Period, our Group had 61 completed projects, among which 57 projects had recorded net operating cash inflow as at the Latest Practicable Date. The remaining four projects are (i) Project #01, our loss-making project, for details please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Loss-making project during the Track Record Period” in this document; (ii) Projects #02 and #10 for which our Group was pending the release of retention monies from Customer Group A; and (iii) Project #06 for which our Group was pending the settlement of our final account by Sanfield. Our Directors expect that Project #02 and #06 will turn from net operating cash outflow to net operating cash inflow upon the release of retention monies and settlement of final account by the relevant customer, respectively.

Taking into consideration our Group was generally able to generate net operating cash inflow from most of our completed projects, our Directors consider that the net operating cash outflow position recorded by our Group was largely attributable to the cash flow mismatch resulting from the time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works and along with the expansion in our scale of business operations during the Track Record Period. According to the Industry Report, wet trades contractors generally experience net cash outflows as project up-front costs at the early stage of a project. The up-front costs of our projects generally include costs incurred at the early stage of a project comprising subcontracting fees for work done by subcontractors, payment made to suppliers for materials and toolings and machinery rental costs.

Our Group generally incurred costs before or while we perform works as we have to pay our suppliers for procuring the necessary materials and toolings required for performing our wet trades works and our subcontractors for carrying out the wet trade works on site. Meanwhile, our customers generally make progress payments according to our works performed, and such payments are required to be certified by our customers before we issue an invoice to our customers and it generally takes time for our customers to certify our progress payments and for us to issue an invoice. Based on our experience, the amount of cash inflow received from our customers over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of works, while the costs incurred by us typically experienced a less-than-proportionate increase over the period. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses.

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In order to manage our liquidity position in view of the aforementioned possible cash flow mismatch associated with the time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works, our Group will adopt the following liquidity management measures going forward:

- our executive Directors will review our Group's monthly cashflow statement, the project schedule and profit and cash flow forecast of our projects on hand before submitting tender for new sizeable projects. If our Group is awarded with a number of sizeable projects which are expected to commence within a similar period, our Group may refrain from tendering for new sizeable projects which are also expected to commence within a similar timeframe in order to avoid incurring substantial amount of up-front costs and operating cash outflow concurrently;
- liaise with our subcontractors for better payments terms during the Up-front Period of our newly awarded projects so as to minimise the risk of cashflow mismatch from making payment to our suppliers and receiving payment from our customers; and
- our finance and administration staff will closely monitor the subsequent settlement of our trade receivables. Should there be any material overdue payments from our customers, our finance and administration staff will conduct follow-up actions including active communications and conducting follow up calls with the customers. In addition, our financial controller will closely monitor the timing of the incurrence of project up-front costs by our Group. If our financial controller expects that we will incur a substantial amount of project up-front costs within a certain period of time, our financial controller will liaise with our customers for the settlement of any overdue payment in a more timely manner, and liaise with our subcontractors for longer payment terms in advance.

Cash flows from investing activities

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of plant and equipment	(502)	(332)	(1,286)	(868)
Proceeds from disposal of plant and equipment	–	–	5	–
Advance to immediate holding company	–	–	(41)	(6)
Finance income received	40	127	34	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(462)</u>	<u>(205)</u>	<u>(1,288)</u>	<u>(873)</u>

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During the Track Record Period, our cash inflows from investing activities include proceeds from disposal of plant and equipment and finance income received, while our cash outflows from investing activities consist of purchase of plant and equipment and advance to immediate holding company.

For FY2018/19, we recorded net cash used in investing activities of approximately HK\$0.5 million, which was attributable to the purchase of plant and equipment of approximately HK\$0.5 million, while such cash outflows were partially offset by the finance income received of approximately HK\$40,000.

For FY2019/20, we recorded net cash used in investing activities of approximately HK\$0.2 million, which was attributable to the purchase of plant and equipment of approximately HK\$0.3 million, while such cash outflows were partially offset by the finance income received of approximately HK\$0.1 million.

For FY2020/21, we recorded net cash used in investing activities of approximately HK\$1.3 million, which was primarily attributable to the purchase of plant and equipment of approximately HK\$1.3 million, while such cash outflows were partially offset by the finance income received of approximately HK\$34,000.

For FY2021/22, we recorded net cash used in investing activities of approximately HK\$0.9 million, which was mainly attributable to the purchase of plant and equipment of approximately HK\$0.9 million.

Cash flows from financing activities

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds from bank borrowings	64,200	75,000	42,000	–
Repayments of bank borrowings	(37,671)	(80,529)	(63,000)	–
(Increase)/decrease in pledged short-term bank deposits	(5,040)	(100)	(34)	5,174
Dividend paid	(6,000)	(1,250)	–	–
Payment for principal and interest of lease liabilities	(808)	(771)	(767)	(527)
Payment for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance cost paid	(608)	(1,337)	(809)	(120)
Repayment to a director	(5,970)	(4,914)	(7,980)	(4,600)
Advance from a director	–	–	365	–
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	<u>8,103</u>	<u>(13,901)</u>	<u>(32,224)</u>	<u>(2,003)</u>

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During the Track Record Period, our cash inflows from financing activities include proceeds from bank borrowings and advance from a director, while our cash outflows from financing activities consist of repayments of bank borrowings, increase in pledged short-term bank deposits, dividends paid, payment for principal and interest of lease liabilities, payment for [REDACTED] expenses, finance cost paid and repayment to a director.

For FY2018/19, we recorded net cash generated from financing activities of approximately HK\$8.1 million, which was primarily attributable to the proceeds from bank borrowings of approximately HK\$64.2 million, while such cash inflows were partially offset by the repayments of bank borrowings of approximately HK\$37.7 million and dividend paid of approximately HK\$6.0 million.

For FY2019/20, we recorded net cash used in financing activities of approximately HK\$13.9 million, which was primarily attributable to the repayments of bank borrowings of approximately HK\$80.5 million and repayment to a director of approximately HK\$4.9 million, while such cash outflows were partially offset by the proceeds from bank borrowings of approximately HK\$75.0 million.

For FY2020/21, we recorded net cash used in financing activities of approximately HK\$32.2 million, which was primarily attributable to the repayments of bank borrowings of approximately HK\$63.0 million and repayment to a director of approximately HK\$8.0 million, while such cash outflows were partially offset by the proceeds from bank borrowings of approximately HK\$42.0 million.

For FY2021/22, we recorded net cash used in financing activities of approximately HK\$2.0 million, which was primarily attributable to the repayment to a director of approximately HK\$4.6 million and payment for [REDACTED] expenses of approximately HK\$[REDACTED], while such cash outflows were partially offset by the decrease in pledged short-term bank deposits of approximately HK\$5.2 million.

CAPITAL EXPENDITURE

Our capital expenditure comprised of purchase of office equipment and furniture, machinery and motor vehicles during the Track Record Period. The following sets forth our Group's capital expenditure for the periods indicated:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office equipment and furniture	120	44	72	95
Machinery	382	288	740	773
Motor vehicles	–	–	474	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u> 502</u>	<u> 332</u>	<u> 1,286</u>	<u> 868</u>

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Our Group incurred capital expenditures of approximately HK\$0.5 million, HK\$0.3 million, HK\$1.3 million and HK\$0.9 million during FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The capital expenditure on office equipment and furniture during FY2018/19, FY2019/20, FY2020/21 and FY2021/22 amounted to approximately HK\$0.1 million, HK\$44,000, HK\$72,000 and HK\$95,000, respectively. The capital expenditure on machinery during FY2018/19, FY2019/20, FY2020/21 and FY2021/22 amounted to approximately HK\$0.4 million, HK\$0.3 million, HK\$0.7 million and HK\$0.8 million, respectively. The capital expenditure on motor vehicles during FY2018/19, FY2019/20, FY2020/21 and FY2021/22 amounted to nil, nil, approximately HK\$0.5 million and nil, respectively. Our capital expenditure was funded by our internal resources.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our existing cash and cash equivalents, cash generated from our operations, banking facilities presently available to our Group, and the estimated [REDACTED] to be received by us from the [REDACTED], our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

In assessing the sufficiency of our working capital for its present requirements, our Directors have considered the following factors: (i) there was an increasing trend in our net current assets during the Track Record Period, which increased from approximately HK\$38.4 million as at 31 March 2019 to approximately HK\$63.0 million as at 31 March 2020, and further increased to approximately HK\$109.4 million and HK\$140.3 million as at 31 March 2021 and 2022, respectively. As at 31 May 2022, our Group was in net current assets position of approximately HK\$152.8 million and our cash and cash equivalents maintained at approximately HK\$4.7 million; and (ii) our Group recorded a decreasing trend in our gearing ratio, which decreased from approximately 75.2% as at 31 March 2019 to approximately 57.4% as at 31 March 2020, and further decreased to 2.4% and nil as at 31 March 2021 and 2022, respectively.

Our Directors confirm that we did not have any material defaults in payment of trade and non-trade payables and bank borrowings, or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date.

We expect to finance our operations through a combination of operating cash inflows to our Group, banking facilities and [REDACTED] from the [REDACTED].

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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 March				As at
	2019	2020	2021	2022	31 May
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current assets					
Trade receivables	39,002	52,398	35,915	27,183	62,979
Contract assets	76,956	102,469	117,305	130,272	131,242
Other receivables, deposits and prepayments	3,673	4,183	7,741	11,039	17,874
Amount due from immediate holding company	–	–	431	437	437
Tax recoverable	9,437	4,526	–	–	–
Pledged short-term bank deposits	5,040	5,140	5,174	–	–
Cash and cash equivalents	27,249	6,818	18,697	27,546	4,739
	<u>161,357</u>	<u>175,534</u>	<u>185,263</u>	<u>196,477</u>	<u>217,271</u>
Current liabilities					
Trade payables	26,592	16,858	25,183	28,707	21,033
Accruals and other payables	19,607	18,929	21,207	14,656	21,203
Amount due to a director	27,870	22,956	15,341	10,741	10,535
Contract liabilities	17,977	15,861	1,804	887	2,762
Lease liabilities	706	760	385	510	515
Bank borrowings	30,228	37,125	2,628	–	6,260
Current income tax liabilities	–	–	9,363	688	2,130
	<u>122,980</u>	<u>112,489</u>	<u>75,911</u>	<u>56,189</u>	<u>64,438</u>
Net current assets	<u>38,377</u>	<u>63,045</u>	<u>109,352</u>	<u>140,288</u>	<u>152,833</u>

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Our net current assets increased from approximately HK\$38.4 million as at 31 March 2019 to approximately HK\$63.0 million as at 31 March 2020. The increase in our net current assets was mainly due to (i) the increase in our current assets of approximately HK\$14.2 million or 8.8%, in particular, the increase in our contract assets of approximately HK\$25.5 million as a result of our overall business growth and our profitable operation, and (ii) the decrease in our current liabilities of approximately HK\$10.5 million or 8.5%. For further details of the increase in our contract assets, please refer to “Discussion of selected statement of financial position items – Contract assets” in this section.

Our net current assets further increased to approximately HK\$109.4 million as at 31 March 2021. The increase in our net current assets was mainly due to (i) the decrease in our current liabilities of approximately HK\$36.6 million or 32.5%, in particular, the decrease in our bank borrowings of approximately HK\$34.5 million as we repaid some bank borrowings during FY2020/21, and (ii) the increase in our current assets of approximately HK\$9.7 million or 5.5%. For further details of the decrease in our bank borrowings, please refer to “Indebtedness – Bank borrowings” in this section.

Our net current assets further increased to approximately HK\$140.3 million. Such increase in our net current assets was primarily attributable to (i) the increase in our current assets of approximately HK\$11.2 million as a result of our profitable operation; and (ii) the decrease in our current liabilities of approximately HK\$19.7 million or 26.0%, in particular, the decrease in our accruals and other payables. For further details of the decrease in our accruals and other payables, please refer to “Discussion of selected statement of financial position items – Accruals and other payables” in this section.

As at 31 May 2022, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$152.8 million. Such increase in our net current assets was primarily attributable to the increase in our current assets of approximately HK\$20.8 million, in particular, the increase in our trade receivables of approximately HK\$35.8 million.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs:

Trade receivables

Our trade receivables (net of provision for impairment) increased from approximately HK\$39.0 million as at 31 March 2019 to approximately HK\$52.4 million as at 31 March 2020, and decreased to approximately HK\$35.9 million and HK\$27.2 million as at 31 March 2021 and 2022, respectively. Such fluctuation was primarily attributable to (i) our overall business performance; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the actual works progress of our ongoing projects and the amounts certified and settled by the relevant customers as at the respective reporting dates.

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Our trade receivables (net of provision of impairment) increased from approximately HK\$39.0 million as at 31 March 2019 to approximately HK\$52.4 million as at 31 March 2020. Such increase was primarily attributable to the increase in the outstanding balance from our customers for sizeable projects undertaken during FY2018/19, namely, trade receivables for Project #03 and Project #05, which amounted to approximately HK\$11.1 million and HK\$8.9 million (as at 31 March 2019: nil and approximately HK\$0.5 million), respectively.

Our trade receivables (net of provision of impairment) decreased from approximately HK\$52.4 million as at 31 March 2020 to approximately HK\$35.9 million as at 31 March 2021. Such decrease was mainly due to the settlement of the outstanding balance from (a) Customer Group A in relation to Project #03, which amounted to approximately HK\$11.1 million, and (b) Customer I in relation to Project #13, which amounted to approximately HK\$7.1 million.

Our trade receivables (net of provision of impairment) further decreased from approximately HK\$35.9 million as at 31 March 2021 to approximately HK\$27.2 million as at 31 March 2022. Such decrease was mainly due to the the settlement of the outstanding balance from customer B in relation to Project #01, which amounted to approximately HK\$8.3 million.

Trade receivables turnover days

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

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Trade receivables turnover days	22.2	32.5	36.6	25.2

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (net of provision for impairment) divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade receivables turnover days were approximately 22.2 days, 32.5 days, 36.6 days and 25.2 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The trade receivables turnover days for the Track Record Period were generally in line with our credit term that we granted to our customers.

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Aging analysis and subsequent settlement

The following is an aging analysis of trade receivables based on the invoice date at the end of each reporting period:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	32,792	42,585	33,142	21,788
31–60 days	6,314	10,008	2,512	3,757
Over 60 days	34	–	485	1,804
	<u>39,140</u>	<u>52,593</u>	<u>36,139</u>	<u>27,349</u>
Total	<u><u>39,140</u></u>	<u><u>52,593</u></u>	<u><u>36,139</u></u>	<u><u>27,349</u></u>

Up to 12 July 2022, approximately 87.9% of our trade receivables as at 31 March 2022 had been settled:

	As at	Subsequent settlement up to	
	31 March	12 July 2022	
	2022	HK\$'000	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Within 30 days	21,788	19,008	87.2
31–60 days	3,757	3,757	100.0
Over 60 days	1,804	1,280	71.0
	<u>27,349</u>	<u>24,045</u>	
Total	<u><u>27,349</u></u>	<u><u>24,045</u></u>	87.9

Other receivables, deposits and prepayment

Our other receivables, deposits and prepayments mainly comprised prepayments to subcontractors for wet trades works, deposits to suppliers of materials for wet trades works, prepayments for [REDACTED] expenses, other prepayments for miscellaneous expenses, and other receivables such as the claims from work accidents which were or would be reimbursed to our Group under the relevant insurance policy taken out by the main contractors.

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Our other receivables, deposits and prepayment increased from approximately HK\$3.7 million as at 31 March 2019 to approximately HK\$4.2 million as at 31 March 2020. Such increase was primarily due to the increase in other receivables of approximately HK\$2.1 million, primarily as a result of the increase in advance payment paid out by our Group in relation to the claims from work accidents which were or would be reimbursed to our Group under the relevant insurance policy taken out by the main contractors. Such increase was partially offset by the decrease in deposits of approximately HK\$1.4 million.

Our other receivables, deposits and prepayment further increased to approximately HK\$7.7 million as at 31 March 2021. Such increase was primarily due to the recognition of prepayments for [REDACTED] expenses of approximately HK\$[REDACTED].

Our other receivables, deposits and prepayments increased to approximately HK\$11.0 million as at 31 March 2022. Such increase was primarily due to the increase in prepayments for [REDACTED] expenses of approximately HK\$[REDACTED].

Amount due from immediate holding company

Details of our amount due from immediate holding company are summarised in note 25(d) to the Accountant’s Report.

Our amount due from immediate holding company is non-trade, unsecured, interest-free and repayable on demand. As at 31 May 2022, the amount due from immediate holding company was approximately HK\$0.4 million and such amount will be settled before [REDACTED].

Contract assets and contract liabilities

A contract asset represents our Group’s right to consideration from customers in exchange for the provision of wet trades works that our Group has transferred to our customers that is not yet unconditional. Contract assets arise when our Group has provided the wet trades works under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by our customers and/or our Group’s right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when our Group’s right to payment becomes unconditional other than passage of time.

A contract liability represents our Group’s obligation to transfer services to our customer for which our Group has received consideration (or an amount of consideration is due) from our customer.

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The following table sets forth our contract assets and contract liabilities as at the dates indicated:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets				
Unbilled revenue	33,208	56,594	67,791	72,802
Retention receivables	43,914	46,204	50,030	57,684
Total contract assets	77,122	102,798	117,821	130,486
Less: provision for impairment	(166)	(329)	(516)	(214)
Contract assets, net	76,956	102,469	117,305	130,272
Contract liabilities				
	(17,977)	(15,861)	(1,804)	(887)

Unbilled revenue

Our unbilled revenue increased from approximately HK\$33.2 million as at 31 March 2019 to approximately HK\$56.6 million as at 31 March 2020, and further increased to approximately HK\$67.8 million and HK\$72.8 million as at 31 March 2021 and 2022, respectively. Such increase in our unbilled revenue was primarily attributable to the increase in the size and number of contract works that the relevant services were completed but were not certified at the end of each reporting period, such as (i) Project #09 and a private residential project in Kai Tak, where our Group recognised unbilled revenue of approximately HK\$11.7 million and HK\$7.3 million as at 31 March 2020, respectively (as at 31 March 2019: nil for both projects); (ii) Project #07, where the unbilled revenue increased from approximately HK\$49,000 as at 31 March 2020 to approximately HK\$17.9 million as at 31 March 2021; and (iii) Project O01, where we recognised unbilled revenue of approximately HK\$12.0 million as at 31 March 2022 (as at 31 March 2021: nil).

Subsequent billing and settlement

Our unbilled revenue amounted to approximately HK\$72.8 million as at 31 March 2022. Of the amount of approximately HK\$72.8 million as at 31 March 2022, approximately 74.0% (which amounted to approximately HK\$53.9 million) had been subsequently billed up to 12 July 2022. Of such amount of approximately HK\$53.9 million where subsequent billings had taken place, 77.8% of which had been subsequently settled by the relevant customers up to 12 July 2022.

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Retention receivables

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables were classified as current assets based on operating cycle. The settlement analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
To be recovered within twelve months	19,848	13,739	21,433	30,913
To be recovered more than twelve months after the end of the year	24,066	32,465	28,597	26,771
Total	43,914	46,204	50,058	57,684

Trade receivables and contract assets turnover days

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

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Contract assets turnover days (<i>Note 1</i>)	51.4	63.8	91.1	99.0
Trade receivables and contract assets turnover days (<i>Note 2</i>)	73.6	96.3	127.7	124.2

Notes:

1. Contract assets turnover days is calculated based on the average of the beginning and ending balance of contract assets (net of provision for impairment) divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).
2. Trade receivables and contract assets turnover days is calculated based on the average of the beginning and ending balance of trade receivables (net of provision for impairment) and contract assets (net of provision for impairment) divided by the revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

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Our contract assets turnover days were approximately 51.4 days, 63.8 days, 91.1 days and 99.0 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. Our trade receivables and contract assets turnover days were approximately 73.6 days, 96.3 days, 127.7 days and 124.2 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The increase in contract assets turnover days and trade receivables and contract assets turnover days from FY2018/19 to FY2020/21 was primarily attributable to the increase in size and number of contract works for which the relevant services were completed but not yet certified as at the respective reporting dates. Our contract assets turnover days remained broadly stable at approximately 91.1 days and 99.0 days for FY2020/21 and FY2021/22, respectively. Our trade receivables and contract assets turnover days remained relatively stable at approximately 127.7 days for FY2020/21 and 124.2 days for FY2021/22.

Loss allowances for trade receivables and contract assets

Trade receivables and contract assets

Our Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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The loss allowance provision for trade receivables and contract assets as at 31 March 2019, 2020, 2021 and 2022 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables <i>HK\$'000</i>	Contract assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2018	113	45	158
Provision for impairment	<u>25</u>	<u>121</u>	<u>146</u>
As at 31 March 2019	138	166	304
Provision for impairment	<u>57</u>	<u>163</u>	<u>220</u>
As at 31 March 2020	195	329	524
Provision for impairment	<u>29</u>	<u>187</u>	<u>216</u>
As at 31 March 2021	224	516	740
Reversal of impairment loss	<u>(58)</u>	<u>(302)</u>	<u>(360)</u>
As at 31 March 2022	<u><u>166</u></u>	<u><u>214</u></u>	<u><u>380</u></u>

Cash and cash equivalents and pledged short-term bank deposits

The following table sets forth our cash and cash equivalents and pledged short-term bank deposits as at the dates indicated:

	As at 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash and bank balances	27,249	6,818	18,697	27,546
Pledged short-term bank deposits	<u>5,040</u>	<u>5,140</u>	<u>5,174</u>	<u>–</u>
Total	<u><u>32,289</u></u>	<u><u>11,958</u></u>	<u><u>23,871</u></u>	<u><u>27,546</u></u>

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Pledged short-term bank deposits are funds which are pledged as security for the banking facilities of our Group. Interest rates of pledged short-term bank deposits are approximately 1.5%, 1.3%, 0.1% and 0.1% per annum at the end of each year. All cash and cash equivalents and pledged short-term bank deposits are denominated in HK\$.

Trade payables

Our trade payables mainly comprised payables to subcontractors and suppliers of construction materials and toolings.

Our trade payables amounted to approximately HK\$26.6 million, HK\$16.9 million, HK\$25.2 million and HK\$28.7 million as at 31 March 2019, 2020, 2021 and 2022, respectively. Such fluctuation during the Track Record Period was mainly due to the difference in credit term granted by different suppliers and difference in timing of payments to our suppliers as at the respective reporting dates.

Trade payables turnover days

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

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Trade payables turnover days	17.7	17.0	19.9	24.7

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade payables turnover days were approximately 17.7 days, 17.0 days, 19.9 days and 24.7 days for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, respectively. The trade payables turnover days for the Track Record Period were generally in line with our credit term that granted by our subcontractors and suppliers, and was primarily affected by our trade payables as at the end of each reporting period.

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Aging analysis and subsequent settlement

The following table sets forth the aging analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	26,582	16,721	25,183	28,707
31–60 days	10	131	–	–
61–90 days	–	6	–	–
Total	26,592	16,858	25,183	28,707

Up to the Latest Practicable Date, all of our trade payables as at 31 March 2022 had been settled:

	As at	Subsequent settlement up to	the Latest Practicable Date
	31 March		
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Within 30 days	28,707	28,707	100.0
31–60 days	–	–	–
61–90 days	–	–	–
Total	28,707	28,707	100.0

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Accruals and other payables

The following table sets forth a breakdown of our Group’s accruals and other payables as at the dates indicated:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Accruals for subcontractors’ labour cost	16,499	11,704	13,920	6,976
Accrued staff cost	2,683	1,980	1,872	2,378
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Provision for a litigation case	–	611	611	335
Provision for an onerous contract	–	3,906	–	–
Other accruals and payables	425	728	1,723	115
Total	19,607	18,929	21,207	14,656

Our accruals and other payables slightly decreased from approximately HK\$19.6 million as at 31 March 2019 to approximately HK\$18.9 million as at 31 March 2020, which was mainly due to the decrease in accruals for subcontractors’ labour cost of approximately HK\$4.8 million, while such decrease was partially offset by the recognition of the provision for an onerous contract of approximately HK\$3.9 million in relation to a loss-making project (i.e. Project #01). Our accruals and other payables increased to approximately HK\$21.2 million as at 31 March 2021, which was primarily due to the recognition of our accruals for [REDACTED] expenses of approximately HK\$[REDACTED]. Our accruals and other payables decreased to approximately HK\$14.7 million as at 31 March 2022, which was mainly due to the decrease in accruals for subcontractors’ labour cost of approximately HK\$6.9 million and the decrease in other accruals and payables of approximately HK\$1.6 million. The decrease in our accruals for subcontractors’ labour costs of approximately HK\$6.9 million as at 31 March 2022, as compared to 31 March 2021, was primarily attributable to the fifth wave of outbreak of COVID-19 during January 2022 and up to April 2022 (the “**Fifth Wave Outbreak**”). Our Group experienced temporary disruption to the supply of materials and toolings from February 2022 to late-April 2022 due to brief disruption to the supply chain and cross-border transportation, which resulted in temporary impediment to our operation during the Fifth Wave Outbreak. Even we have used our best endeavour to mitigate the impact of disruption through sourcing materials and toolings from suppliers with adequate

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inventories during the said period, but lack of some relevant materials led to less work done could be performed, and therefore, we had engaged less subcontractors and labour during the said period. Moreover, confirmed COVID-19 cases were reported at the project sites of three of our projects, namely Project #18, #19 and O15 during the Fifth Wave Outbreak. In order to contain the transmission of COVID-19 and to allow for thorough disinfection, all construction activities on the project sites were temporarily suspended. Please refer to the paragraph headed “Business – Occupational health and work safety – Impact of the fifth wave of outbreak of COVID-19 on our operations” for details of the temporary works suspension in these sites. In addition to the temporary suspension of our construction sites, all construction sites had imposed stricter social distancing requirement to contain the transmission of COVID-19. As the number of workers on site at the same time reduced, our Group also engaged less subcontractors during the Fifth Wave Outbreak.

Plant and equipment

Our plant and equipment primarily comprised machinery, motor vehicles and office equipment and furniture. Our plant and equipment remained broadly stable at approximately HK\$1.1 million, HK\$0.9 million, HK\$1.7 million and HK\$1.7 million as at 31 March 2019, 2020, 2021 and 2022, respectively.

Right-of-use assets

Lease is initially recognised as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by our Group. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The right-of-use assets represent our Group’s rights to use underlying motor vehicles and leased premises under lease arrangements over the lease terms from 3 to 4 years. They are stated at cost less accumulated depreciation and accumulated impairment losses. Upon the end of lease period during the year ended 31 March 2019, our Group purchased two leased motor vehicles from the lessor and the motor vehicles were transferred to plant and equipment.

Details of our right-of-use assets are summarised in note 15 to the Accountant’s Report.

Deposits (non-current portion)

Our non-current deposits represent deposit for rental of our office and a warehouse leased by us for storage of personal protective equipment during the Track Record Period.

Our non-current deposits remained relatively stable at approximately HK\$0.2 million, HK\$0.2 million, nil and HK\$0.2 million as at 31 March 2019, 2020, 2021 and 2022, respectively.

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INDEBTEDNESS

As of 31 May 2022, being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed “Indebtedness” in this section, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying 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. Up to the Latest Practicable Date, the bank granted our Group additional tax loan facilities of HK\$33.5 million, in aggregate, of which HK\$14.4 million of the tax loan facilities was unutilised as at the Latest Practicable Date. Save for the aforesaid tax loan facilities, our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 May 2022 and up to the date of this document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

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

	As at 31 March				As at 31 May
	2019	2020	2021	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Lease liabilities	1,154	394	–	353	266
Current liabilities					
Amount due to a director	27,870	22,956	15,341	10,741	10,535
Lease liabilities	706	760	385	510	515
Bank borrowings	30,228	37,125	2,628	–	6,260
	<u>59,958</u>	<u>61,235</u>	<u>18,354</u>	<u>11,604</u>	<u>17,576</u>

Lease liabilities

During the Track Record Period, our Group leases motor vehicles and office premises for its operations. Lease contracts are entered into for fixed term of 3 to 4 years. Lease terms are negotiated on an individual basis and contain different terms and conditions.

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The interest rate of each lease contracts is fixed at its contract date, and the interest rate of all the lease liabilities was 4.3% per annum as at 31 March 2019, 2020, 2021 and 2022, respectively.

The total cash outflows for leases including payments of short-term lease, lease liabilities and payments of interest expenses on leases for FY2018/19, FY2019/20, FY2020/21 and FY2021/22 were approximately HK\$1.4 million, HK\$1.7 million, HK\$2.3 million and HK\$2.9 million, respectively.

Amount due to a director

Details of our amount due to a director are summarised in note 25(e) to the Accountant's Report. Our amount due to a director is unsecured, interest-free and repayable on demand. As at 31 March 2019, 2020, 2021 and 2022, the amount due to a director represented cash advanced by Mr. KS Chan to our Group for working capital purpose.

As at 31 May 2022, the amount due to a director was approximately HK\$10.5 million and such amount will be settled or capitalised before [REDACTED].

Bank borrowings

The following table sets forth a breakdown of our Group's bank borrowings as at the respective dates indicated:

	As at 31 March				As at
	2019	2020	2021	2022	31 May
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2022
					HK\$'000
Bank overdrafts	3,699	16,125	2,628	–	6,260
Other bank loans	26,529	21,000	–	–	–
Total	<u>30,228</u>	<u>37,125</u>	<u>2,628</u>	<u>–</u>	<u>6,260</u>

Our bank borrowings during the Track Record Period represent (i) bank overdrafts, and (ii) other bank loans such as revolving loans and instalment loans.

As at 31 March 2019, 2020, 2021 and 2022 and 31 May 2022, our bank borrowings amounted to approximately HK\$30.2 million, HK\$37.1 million, HK\$2.6 million, nil and HK\$6.3 million, respectively. The banking facilities of our Group were secured by (i) unlimited personal guarantees from Mr. KS Chan; (ii) legal charge over a property owned by Mr. KS Chan; (iii) guarantee provided by government corporations, namely, Hong Kong Mortgage Corporation Limited and HKMC Insurance Limited; and (iv) our short-term pledged bank

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deposits. The aforesaid securities and guarantee of the banking facilities will be either replaced by our Company’s corporate guarantee, or such bank borrowings will be repaid before or upon [REDACTED].

As at 31 March 2019, 2020 and 2021 and 31 May 2022, the weighted average interest rates are approximately 4.0%, 4.1%, 4.0%, nil and 3.8% per annum, respectively. As at 31 March 2022, we did not have bank borrowings.

As at 31 May 2022, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately HK\$4.7 million. As at 31 May 2022, our bank facilities amounted to approximately HK\$19.0 million, of which approximately HK\$12.7 million was unutilised. Up to the Latest Practicable Date, the bank granted our Group additional tax loan facilities of HK\$33.5 million, in aggregate, of which HK\$14.4 million of the tax loan facilities was unutilised as at the Latest Practicable Date.

For further details of our bank borrowings, please refer to note 23 to the Accountant’s Report.

Contingent liability

As at 31 March 2021, our Group had a contingent liability in relation to a fatal accident occurred in December 2019 whereby a construction worker sustained fatal injury during the course of work. Based on the development of the litigation, our Directors considered that it was premature to conclude on whether the Group is probable to be liable. In November 2021, our Group received a certificate of trial from the relevant court whereby the related summons were dismissed because the court considered the prosecution offered no evidence. As a result, such contingent liability ceases to exist. For future details of the litigation, please refer to the paragraph headed “Business – Fatal accident occurred in December 2019” and “Business – Litigations and claims” in this document.

During FY2021/22, the abovementioned legal case was dismissed as the prosecution offered no evidence, and therefore the related contingent liability was released.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

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KEY FINANCIAL RATIO

	FY2018/19 or as at 31 March 2019	FY2019/20 or as at 31 March 2020	FY2020/21 or as at 31 March 2021	FY2021/22 or as at 31 March 2022
Revenue growth	N/A	14.6%	(14.2)%	3.6%
Net profit growth	N/A	64.5%	78.4%	(32.0)%
Gross profit margin	7.0%	9.0%	12.2%	12.6%
Net profit margin	3.5%	5.0%	10.5%	6.9%
Return on equity	39.1%	39.9%	41.4%	22.0%
Return on total assets	9.5%	14.5%	24.6%	15.7%
Current ratio	1.3 times	1.6 times	2.4 times	3.5 times
Quick ratio	1.3 times	1.6 times	2.4 times	3.5 times
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	22.2 days	32.5 days	36.6 days	25.2 days
Trade payables turnover days	17.7 days	17.0 days	19.9 days	24.7 days
Gearing ratio	75.2%	57.4%	2.4%	Nil
Net debt to equity ratio	7.4%	46.8%	Net cash	Net cash
Interest coverage	28.9 times	25.1 times	66.3 times	279.9 times

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.

Net profit margin

Net profit margin is calculated as profit and total comprehensive income for the year/period divided by the revenue for the year.

Our net profit margin increased from approximately 3.5% for FY2018/19 to approximately 5.0% for FY2019/20, and further increased to approximately 10.5% for FY2020/21. Such changes were mainly due to the changes in our gross profit margin and the increase in our other income. Our net profit margin decreased to approximately 6.9% for FY2021/22. Such decrease

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was primarily attributable to the decrease in our other income of approximately HK\$19.0 million, while such decrease was partially offset by the increase in revenue and gross profit during FY2021/22.

Return on equity

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

Our return on equity remained relatively stable at approximately 39.1%, 39.9% and 41.4% for FY2018/19, FY2019/20 and FY2020/21, respectively. Our return on equity decreased to approximately 22.0% for FY2021/22. Such decrease was mainly due to the combined effect of (i) the decrease in profit and total comprehensive income for the year of approximately 32.0%, which was primarily attributable to the decrease in other income; and (ii) the increase in our total equity of approximately 28.2%. Please refer to the paragraph headed “Period-to-period comparison of results of operations” above in this section for further details of the decrease in profit and total comprehensive income for the year.

Return on total assets

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

Our return on total assets was approximately 9.5%, 14.5% and 24.6% for each of FY2018/19, FY2019/20 and FY2020/21, respectively. The change in our return on total assets over the three financial years was mainly due to the increase in our net profit over the three financial years. Our return on assets decreased from approximately 24.6% for FY2020/21 to approximately 15.7% for FY2021/22. Such decrease was due to (i) the decrease in profit and total comprehensive income for the year of approximately 32.0%; and (ii) the increase in our total assets of approximately 6.4%.

Current ratio

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

Our current ratio remained relatively stable at approximately 1.3 times and 1.6 times as at 31 March 2019 and 2020. Our current ratio increased to approximately 2.4 times as at 31 March 2021. Such increase was mainly due to the decrease in our current liabilities, in particular, the decrease in our bank borrowings as at 31 March 2021 as compared to that as at 31 March 2020. Our current ratio further increased to approximately 3.5 times as at 31 March 2022. Such increase was mainly due to the decrease in our current liabilities, in particular the decrease in our accruals and other payables.

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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 have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

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

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Please refer to the paragraph headed “Discussion of selected statement of financial position items – Trade receivables – Trade receivables 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 divided by cost of services for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Please refer to the paragraph headed “Discussion of selected statement of financial position items – Trade 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. bank borrowings) divided by the total equity as at the respective reporting dates.

Our gearing ratio decreased from approximately 75.2% as at 31 March 2019 to approximately 57.4% as at 31 March 2020. The decrease in our gearing ratio was mainly due to the increase in our total equity of approximately 61.1% which outweighed the increase in our bank borrowings of approximately 22.8%. Our gearing ratio further decreased to approximately 2.4% as at 31 March 2021. Such decrease was mainly due to the decrease in our bank borrowings of approximately HK\$34.5 million as at 31 March 2021 as compared to that as at 31 March 2020. Our gearing ratio further decreased to nil as at 31 March 2022, as there was no outstanding bank borrowings as at 31 March 2022.

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Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio increased from approximately 7.4% as at 31 March 2019 to approximately 46.8% as at 31 March 2020, which was because we had a relatively lower level of cash and cash equivalents as at 31 March 2020 compared to 31 March 2019. Our net debt to equity ratio turned to net cash position as at 31 March 2021 and 2022 which was mainly due to a lower level of bank borrowings recorded as at 31 March 2021 and 2022.

Interest coverage

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

Our interest coverage decreased from approximately 28.9 times as at 31 March 2019 to approximately 25.1 times as at 31 March 2020. Such decrease was mainly due to the increase in bank borrowings from FY2018/19 to FY2019/20 which resulted in a higher interest expenses. Our interest coverage increased to approximately 66.3 times and 279.9 times as at 31 March 2021 and 2022, respectively. The increase in interest coverage was mainly due to the decrease in our bank borrowings in FY2020/21 and FY2021/22 which resulted in lower interest expenses.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 25 to the Accountant's Report. During the Track Record Period, our transactions with related parties mainly included the following:

	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and pension costs paid to:				
Mr. SW Chan	157	–	–	–
Ms. Chan Chui Ying	496	532	567	546
Mr. Chan Chun Wai	339	430	467	476
Rental paid in relation to rental contract entered into with:				
Ms. Tsang and Mr. SW Chan	216	213	168	–

Our Directors confirm that all transactions with related parties described in note 25 of the Accountant's Report were conducted on normal commercial terms determined after arm's length negotiation having considered the rental paid for a warehouse leased by us for storage of personal protective equipment is comparable to the prevailing market rent of comparable

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properties in similar locations, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please refer to note 25 to the Accountant’s Report for further details of the related party transactions.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to credit risk, liquidity risk and market risk in the normal course of business. For further details of our financial risk management, please refer to the paragraph headed “Business – Risk management and internal control systems” and note 3 of the Accountant’s Report.

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our overall strategy remains unchanged through the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the [REDACTED] on the net tangible assets of our Group attributable to owners of our Company as of 31 March 2022 as if the [REDACTED] had taken place on 31 March 2022, was approximately HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively, based on the low end and the high end of the indicative [REDACTED] range of HK\$[REDACTED] per Share to HK\$[REDACTED] per Share.

Please refer to Appendix II to this document for further details.

DISTRIBUTABLE RESERVE

Our Company was incorporated on 28 April 2020 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 March 2021 and 2022.

DIVIDEND

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we declared and paid out dividends of HK\$6 million, approximately HK\$1.3 million, nil and nil, respectively, to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

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[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], comprising (i) [REDACTED] expenses, including [REDACTED] commission and other expenses, of approximately HK\$[REDACTED]; and (ii) [REDACTED] expenses of approximately HK\$[REDACTED], including (a) fees paid and payable to legal advisers and reporting accountant of approximately HK\$[REDACTED]; and (b) other fees and expenses, including sponsor fees, of approximately HK\$[REDACTED]. Out of the amount of approximately HK\$[REDACTED], approximately HK\$[REDACTED] is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] that shall be charged to profit or loss, [REDACTED] has been charged for FY2018/19 and FY2019/20, while approximately HK\$[REDACTED] and HK\$[REDACTED] have been charged for FY2020/21 and FY2021/22, respectively and approximately HK\$[REDACTED] is expected to be incurred for the year ending 31 March 2023. Expenses in relation to the [REDACTED] are non-recurring in nature.

TAX FILING

To strengthen the finance department of our Group and in preparation of the [REDACTED], Mr. Choi Wan Sang Vincent, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales, was employed as the financial controller of our Company in February 2020. After reporting duty, Mr. Choi, together with our management team, conducted a thorough review of the books and records of the principal operating subsidiaries of our Group, namely Chan Kiu and Ying Wai (collectively, the “**Operating Subsidiaries**”), for the past few years and the underlying documentation. During the review, it was noted that certain accounting adjustments were required to be made to the financial statements of the Operating Subsidiaries.

As such, the management of the Operating Subsidiaries (i) restated the financial statements of the Operating Subsidiaries for FY2017/18, FY2018/19 and FY2019/20 (collectively, the “**Relevant Period**”) and engaged the statutory auditor of the Operating Subsidiaries for the Relevant Period (the “**Statutory Auditor**”), being Certified Public Accountants, to re-perform the audit for the Relevant Period; and (ii) reflected the restated financial figures when issuing the audited financial statements of the Operating Subsidiaries for FY2019/20. In order to ensure the prior years’ tax position of the Operating Subsidiaries was appropriately rectified, Mr. Choi recomputed the tax computations of the respective Operating Subsidiaries for the Relevant Period and discussed with the Statutory Auditor. The revised tax computations together with the restated financial statements for the Relevant Period were submitted to the Inland Revenue Department (the “**IRD**”).

The restatement to the financial statements of the Operating Subsidiaries for the Relevant Period mainly comprised (i) cut-off adjustments on contract costs as a result of the adoption of HKFRS 15 and recalculation of budgeting by using the latest available information of the Operating Subsidiaries; (ii) reclassification of expenses having considered the nature and the relevant accounting standard, which have no tax impact; (iii) retrospective recognition of

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expected credit losses on trade receivables, retention receivables and contract assets, which have no tax impact; and (iv) recalculation of taxation as a result of the above adjustments made (collectively, the "Accounting Adjustments"). Among all Accounting Adjustments, only cut-off adjustments on contract costs and recalculation of budgeting resulted in tax impact which involved overcalculated tax of approximately HK\$1.9 million in aggregate for the Operating Subsidiaries. In respect of the HK\$1.9 million overcalculated tax, Chan Kiu and Ying Wai accounted for approximately HK\$0.7 million and HK\$1.2 million, respectively.

The following table sets forth a reconciliation of the initial tax payables to restated tax payables of Chan Kiu for FY2018/19 and FY2019/20:

	Initial application of HKFRS 15 <i>(Note 1)</i> HK\$'000	Change of budget of Project #01 <i>(Note 2)</i> HK\$'000	Change of budget of Project #02 <i>(Note 2)</i> HK\$'000	Change of budget of Project #06 <i>(Note 2)</i> HK\$'000	Restated tax payables HK\$'000
FY2018/19	1,030	1,487	-	(342)	2,175
FY2019/20	5,948	-	(1,305)	(262)	4,037
	<u>6,978</u>	<u>1,487</u>	<u>(1,305)</u>	<u>(604)</u>	<u>6,212</u>

The following table sets forth a reconciliation of the initial tax payables to restated tax payables of Ying Wai for FY2018/19 and FY2019/20:

	Original tax payables HK\$'000	Change of budget of Project #12 <i>(Note 2)</i> HK\$'000	Change of budget of Project #13 <i>(Note 2)</i> HK\$'000	Restated tax payables HK\$'000
FY2018/19	881	(219)	-	662
FY2019/20	1,789	(488)	(446)	855
	<u>2,670</u>	<u>(707)</u>	<u>(446)</u>	<u>1,517</u>

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Note:

1. As our Group first applied HKFRS 15 during FY2018/19, our Group recognised the cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of retained earnings for FY2018/19. Such impact of initial application of HKFRS 15 of approximately HK\$9.0 million of assessable profit has been recorded and the tax impact arising therefrom was approximately HK\$1.5 million.
2. Our Directors determined the tender price of Project #01 based on a pricing strategy which is similar to that for our existing customers. However, during the project implementation of Project #01 in FY2019/20, we realised that the workmanship specifications of Sanfield are different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, our Group performed additional rectification works upon receiving such requests from Sanfield since April 2020, which were unexpected during the tender stage of Project #01. We made an application and continuously negotiated with Sanfield for the certification and billing of such additional rectification works performed. While Sanfield indicated during FY2019/20 that the cost of these additional rectification works would be partially borne by each of us and Sanfield, we and Sanfield could only conclude on the final amount of the additional rectification works in early 2021 (the "**Final Conclusion**"). In order to meet the deadline for submission of tax return for FY2019/20 and for prudent consideration, our executive Directors, based on the then budgeting of Project #01 and having regards to the value and progress of the additional rectification works performed, estimated a gross profit margin of approximately 2% for Project #01 when submitting the tax return for FY2019/20 to the IRD.

However, the amount in the Final Conclusion was far below the amount estimated by our executive Directors in the preparation of the tax return for FY2019/20. Having considered the aforesaid, Project #01 turned from a profit-making project into a loss-making project and our Group recorded a provision of onerous contract of approximately HK\$3.9 million for FY2019/20 according to the relevant accounting standard in the preparation for the [REDACTED], resulting in tax overcalculation for Project #01.

Similar situation occurred for Project #06 which was also awarded to us by Sanfield. Project #06 was awarded and undertaken within a similar timeframe as Project #01. During the project implementation of Project #06, our Group realised that the workmanship specifications of Sanfield were different from our other existing major customers and it took us additional time to familiarise ourselves with the specifications of Sanfield. In order to satisfy the specifications of Sanfield, our Group had to perform additional rectification works, which were unexpected during the tender stage of Project #06. When submitting the tax return for FY2019/20, our executive Directors estimated the amount of the additional rectification works that could be certified and billed by Sanfield having regards to the number and value of additional rectification works performed. However, after discussing with Sanfield, the amount that could be billed was far below the amount estimated by our executive Directors in the preparation of the tax return for FY2019/20, resulting in tax overcalculation for Project #06.

For Project #02, our Group was required to complete a substantial part of tile laying works and Customer Group A was responsible for the provision of tile-related materials to our Group for performing such works. After we had commenced performing the tile laying works for Project #02, there was a change of material for performing such works after our discussion with Customer Group A, resulting in a shorter period of time for us in completing the works. Our Group had therefore engaged additional subcontracting services in FY2018/19 for completing the tile laying works under Project #02 according to the original project schedule, which was unexpected during the tender stage of Project #02. When submitting the tax return for FY2018/19 and FY2019/20, our executive Directors estimated that the additional subcontracting services could be chargeable to Customer Group A. However, upon negotiation with Customer Group A and taking into consideration our established long-term business relationship with and the business opportunities arising from Customer Group A, we did not charge Customer Group A any additional fees for catering to such change, which resulted in the change of budget of Project #02.

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Our Group carried out wet trades works for private residential buildings under Project #12 and #13 which was awarded to our Group by Customer F and Customer I, respectively. The work specifications of Project #12 and #13 turned out to be more complicated than we previously expected as a result of the rectification requests from the end users, being the owners of the apartments in the private residential buildings. Customer F and Customer I instructed us to perform additional rectification works to the satisfaction of them and their customers. When submitting the tax return for FY2018/19 and FY2019/20, our executive Directors estimated the amount of the additional rectification works that could be certified and billed by Customer F and Customer I. However, after discussing with Customer F and Customer I, the amount that could be billed was below the amount estimated by our executive Directors in the preparation of the tax return for FY2018/19 and FY2019/20. Having considered that (i) Customer F and Customer I were our new customers since 2018 and 2019, respectively and we were keen to maintain the business relationship with and capture future business opportunities from them; and (ii) Project #12 and #13 were overall profitable, we agreed with the revised value of our rectification works.

For the enhanced measures to minimise the potential risk of cost overruns and the procedure for the revisions to project cost budget, please refer to paragraph headed “Business – Pricing strategy” in this document.

As a result of the Accounting Adjustments, approximately HK\$1.9 million of tax was overcalculated previously which represented the difference between the revised tax computations and the original tax computations. Up to the Latest Practicable Date, the Operating Subsidiaries received the revised tax assessments of the Relevant Period from the IRD, and the revised tax assessments had agreed with the accounting adjustments as set out in the revised tax computations.

At the request of the Sponsor, CTY & Co. (the “**Tax Adviser**”) was engaged to opine on, amongst others, (i) whether our Group is subject to any potential liability or any potential penalty that the IRD may seek to impose with regard to the abovementioned tax refiling. The Tax Adviser includes an ex-deputy commissioner of the IRD who has over 30 years of tax-related experience.

Likelihood of penal actions being taken against the Operating Subsidiaries

The Inland Revenue Ordinance (the “**IRO**”) empowers the Commissioner of Inland Revenue (the “**CIR**”) to initiate prosecution under section 82 or 80 for non-compliance with the requirements of the IRO. The CIR may at his discretion impose monetary penalty by way of compounding under section 82 or 80 of the IRO or additional tax under section 82A of the IRO. The Tax Adviser is of the view that based on the following grounds and the IRD’s Penalty Policy, the chance of the IRD imposing penalty on the Operating Subsidiaries in respect of the Accounting Adjustments is remote.

Section 82(1) of the IRO provides prosecution for filing incorrect returns willfully with intent to evade tax. The financial statements of the Operating Subsidiaries for the Relevant Period were audited by Certified Public Accountants. The restatement to the financial statements of the Operating Subsidiaries for the Relevant Period mainly arose from the Accounting Adjustments. Given there was in fact an overcalculation of tax previously, no evasion of tax was involved on the part of the Operating Subsidiaries. It is proper for the Operating Subsidiaries to rely on professionals for these highly technical matters. It is the practice of the CIR to take into account the strength of evidence in deciding whether or not to initiate a prosecution action.

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Taking into account all the relevant circumstances, the Tax Adviser strongly believes that the CIR will not take any prosecution action against the Operating Subsidiaries.

Sections 80 and 82A of the IRO provide penalty for filing incorrect returns without reasonable excuse. The Tax Adviser advised that according to the IRD’s Penalty Policy, offences which do not involve any wilful intent to evade tax are generally dealt with administratively by the imposition of monetary penalties in the form of additional tax under section 82A of the IRO. There is therefore no risk of the Operating Subsidiaries being prosecuted under section 80 of the IRO.

The Tax Adviser is of the view that the Operating Subsidiaries should be able to rely on the IRD’s Departmental Interpretation and Practice Notes (“**DIPN**”) to claim “reasonable excuse” in respect of the previous tax returns for the Relevant Period. The IRD issued a revised DIPN 1 in September 2020. Among others, the CIR accepts transitional adjustments made in accordance with the methods prescribed in HKFRS 15, which replaced HKAS 11 with effect from 1 January 2018. The majority of the Accounting Adjustments falls within this category and should therefore constitute reasonable excuses. For the Accounting Adjustments that do not fall within this category, since there is no tax undercharged arising from those adjustments, no penalty under section 82A will be imposed.

All revised tax assessments issued by the IRD have become final and conclusive under section 70 of the IRO. The IRD did not indicate that it would impose any penalty on the Operating Subsidiaries. The Tax Adviser is of the view that the IRD has accepted “reasonable excuse” in respect of the Accounting Adjustments to the previous tax returns of the Operating Subsidiaries for the Relevant Period.

View of the Legal Counsel

The Legal Counsel concurred with the Tax Adviser and is of the view that (i) there is no basis to suggest that the Operating Subsidiaries had a willful intent to evade tax under section 82(1) of the IRO; (ii) the Operating Subsidiaries will have a reasonable excuse before the IRD under sections 80 and 82A of the IRO for the incorrect tax return arising from the present submission of the restatement and Accounting Adjustments; and (iii) all revised tax assessments issued by the IRD have become final and conclusive under section 70 of the IRO and the IRD did not indicate that it would impose any penalty on the Operating Subsidiaries.

Enhancement to our tax filing procedures

In order to enhance our tax filing procedures, the financial controller of our Company, Mr. Choi Wan Sang Vincent, will oversee the financial management of our Group. Mr. Choi is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales, and has over seven years of experience in accounting and financial management. For details of his qualifications and work experience, please refer to the paragraph headed “Directors and senior management – Senior management” in this document. Besides, in order to ensure the ongoing proper filing of accounting and tax

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records to relevant authorities by our Group, we will (i) continue to monitor our accounting policy and the application of the relevant accounting principles in our books and records; (ii) engage a recognised and reputable accounting firm for auditing the consolidated financial statements of our Group going forward; (iii) establish the Audit Committee, of which the chairperson will be an independent non-executive Director with experience and competence in accounting, taxation and auditing; and (iv) where appropriate, consult an independent tax adviser.

Indemnity executed by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all tax liabilities and penalties which may arise as a result of any legal proceedings instituted by or against our Group and tax non-compliance by our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this document for details.

DISCLOSURE REQUIRED UNDER THE 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 Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 March 2022, and there had been no events since 31 March 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report.

FUTURE PLANS AND USE OF [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our Group will endeavor to expand our business operations by adopting our business strategies through the following implementation plans. For details of our business strategies, please refer to the paragraph headed “Business – Business strategies” in this document. Our Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will be materialised in accordance with the expected time frame or that the business objectives of our Group will be accomplished at all.

REASONS FOR THE [REDACTED]

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the Hong Kong wet trades works industry. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional wet trades works projects, from both our existing and potential new customers, on top of our present scale of operation and our current projects on hand. Our executive Directors believe that the [REDACTED] is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- the [REDACTED] from the [REDACTED] will provide additional financial resources to our Group for our business plans as set out in the paragraph headed “Business – Business strategies” of this document, which will further strengthen our market position and expand our market share in the wet trades works industry in Hong Kong;
- a public [REDACTED] status will enhance our corporate profile and recognition and enable our Group to be considered more favourably by our customers when tendering for wet trades works projects, given that a [REDACTED] company is subject to ongoing regulatory compliance for announcements, financial disclosures and corporate governance;
- the [REDACTED] will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders. Such platform would allow us to gain direct access to the capital market for equity and/or debt financing, both at the time of the [REDACTED] as well as at later stage, to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance to enhance Shareholders’ return; and
- upon the [REDACTED], our Shares will be freely traded on the Stock Exchange. A public [REDACTED] status will offer us a broader shareholder base which could lead to a more liquid market in the trading of our Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

Funding needs for implementing our business strategies

As at 31 May 2022, our cash and cash equivalents, which represents our immediately available working capital, amounted to approximately HK\$4.7 million, as set out in the paragraph headed “Financial information – Net current assets” in this document. Our executive Directors consider that the amount of our available working capital fluctuates from time to time, depending on the timing of (i) payment from our customers; and (ii) payment to our subcontractors and suppliers of materials and toolings. We had experienced significant growth in our ability to obtain new projects during the Track Record Period, as evidenced by the increase in our backlog value from approximately HK\$476.1 million as at 31 March 2019 to approximately HK\$758.1 million as at 31 March 2022. The average monthly expenses incurred by us, primarily comprising staff cost, subcontracting fees, cost of materials and toolings, machinery rental costs, administrative expenses and other miscellaneous expenses for our daily operations during the Track Record Period was approximately HK\$43.0 million. In light of our ability to obtain new projects and the associated working capital requirements, our executive Directors consider that it is financially prudent for us to reserve our current available cash resources for meeting our operating expenses.

In view of the aforesaid, our current available working capital would not have room for our further business expansion such as acquiring additional machinery, expanding our workforce and/or undertaking additional projects which would inevitably require more available cash for up-front costs and general working capital. Therefore, our executive Directors consider that we will need to raise additional funding through the [REDACTED] to facilitate the implementation of our future plans, while reserving our current available working capital for our existing business operations.

USE OF [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (assuming the [REDACTED] is not exercised) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related expenses, are estimated to be approximately HK\$[REDACTED] million. We intend to apply such [REDACTED] in the following manner:

- (a) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for financing the up-front costs of our projects;

Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months (the “**Up-front Period**”). Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 20% of the contract sum of the project.

FUTURE PLANS AND USE OF [REDACTED]

As at the Latest Practicable Date, two of our projects on hand, namely Project O14 and O17, are expected to commence in the third quarter of 2022 and four of our projects on hand, namely Project O18, O19, O20 and O22, have commenced site preparatory and preliminary works as at the Latest Practicable Date, with a substantial part of works under these projects expected to be performed in or around the third or fourth quarter of 2022. We intend to apply part of our [REDACTED] from the [REDACTED] towards fulfilling the relevant up-front costs of the aforementioned projects (collectively the “**Designated Projects**”). The following table sets forth the particulars of the projects:

Project No.	Customer	Private/ public sector	Nature of projects	Date of commencement and completion of our works	Estimated contract sum HK\$'000	Estimated amount of up-front costs HK\$'000
O14	Customer C	Public	Infrastructure and public facilities	Commencement: Third quarter of 2022 Completion: Third quarter of 2023	16,569	3,314
O17	Customer C	Private	Residential	Commencement: Third quarter of 2022 Completion: Third quarter of 2023	45,089	9,018
O18	Customer C	Private	Residential	Commencement: March 2022 Completion: June 2024	111,047	22,209
O19	Customer Group G	Private	Residential	Commencement: March 2022 Completion: March 2024	92,846	18,569
O20	Customer Group D	Public	Infrastructure and public facilities	Commencement: March 2022 Completion: March 2024	73,479	14,696
O22	Customer Group A	Private	Residential	Commencement: March 2022 Completion: December 2023	104,973	20,995
Total					444,003	88,801

Note: The expected commencement and completion dates are provided based on our management’s best estimation. In making the estimation, our management takes in account factors including the formal contract, letter of award (if applicable) and the estimated work schedule.

FUTURE PLANS AND USE OF [REDACTED]

The following table sets forth a breakdown of the estimated amount of up-front costs of the Identified Projects to be funded by the [REDACTED] from the [REDACTED] and our internal resources:

Project No.	Estimated	Estimated	Estimated
	amount of up-front costs to be funded by [REDACTED] from the [REDACTED] <i>HK\$'000</i>	amount of up-front costs to be funded by [REDACTED] from the [REDACTED] <i>HK\$'000</i>	amount of up-front costs to be funded by our internal resources <i>HK\$'000</i>
O14	3,314	3,314	–
O17	9,018	9,018	–
O18	22,209	21,376	833
O19	18,569	3,286	15,283
O20	14,696	13,582	1,114
O22	20,995	18,224	2,771
Total	<u>88,801</u>	<u>68,800</u>	<u>20,001</u>

FUTURE PLANS AND USE OF [REDACTED]

As at the Latest Practicable Date, our Group had 42 submitted tenders which were still undergoing tender selection process and pending tender result. Out of these 42 tenders, our executive Directors are positive that we shall be able to secure three projects, taking into consideration the latest negotiation with the relevant customer. The following table sets forth particulars of the tendered projects:

Tender No.	Customer	Private/ public sector	Nature of projects	Status	Expected award date	Date of commencement and completion of our works	Tender amount <i>HKS'000</i>	Estimated amount of up-front costs <i>HKS'000</i>
T01	Customer C	Public	Infrastructure and public facilities	Tender submitted; attended tender interview and submitted second revision of contract sum in April 2022; in the process of negotiation with Customer C	Third quarter of 2022	Commencement: Third quarter of 2022 Completion: Third quarter 2024	199,426	39,885
T02	Customer Group D	Public	Infrastructure and public facilities	Tender submitted; attended tender interview and submitted revision of contract sum	Third quarter of 2022	Commencement: Third quarter of 2022 Completion: First quarter of 2024	70,201	14,040
T03	First Group	Private	Commercial	Tender submitted; submitted revision of contract sum and negotiating with First Group	Third quarter of 2022	Commencement: Third quarter of 2022 Completion: Third quarter of 2023	44,533	8,907
Total							<u>314,160</u>	<u>62,832</u>

Note: The expected commencement and completion dates are provided based on our management’s best estimation. In making the estimation, our management takes in account factors including the tender information available from the relevant customers and the estimated work schedule.

FUTURE PLANS AND USE OF [REDACTED]

The table below sets forth a breakdown of the up-front costs of Project No. O14, O17 to O20, O22 and Project No. T01 to T03 by types of major cost components:

	014	017	018	019	020	022	T01	T02	T03
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subcontracting fees	2,386	6,493	15,990	13,370	10,581	15,116	28,717	10,109	6,413
Cost of materials and toolings	762	2,074	5,108	4,271	3,380	4,829	9,174	2,667	2,049
Others ^(Note)	166	451	1,111	928	735	1,050	1,994	1,264	445
Total	<u>3,314</u>	<u>9,018</u>	<u>22,209</u>	<u>18,569</u>	<u>14,696</u>	<u>20,995</u>	<u>39,885</u>	<u>14,040</u>	<u>8,907</u>

Note: Others mainly include machinery rental, repair and maintenance and other miscellaneous services.

We had attended tender interview in respect of our tenders submitted for Project No. T01 to T02. Our executive Directors are positive about our prospects in obtaining the tendered projects set out above because we were requested to submit revised contract sum. Our executive Directors consider that our customers' requests for us to submit revised contract sum is generally considered to be an indication that we were shortlisted to the advanced stage of tender selection process. Based on the experience of our executive Directors, only a limited number of subcontractors would be shortlisted by Customer C and Customer Group D for selection at the advanced stage of tender selection process. We have submitted revision of contract sum and are currently negotiating with First Group for Project No. T03. Based on the experience of our executive Directors, customers generally would not enter into direct negotiation with its subcontractors until the advanced stage of tender selection process. Therefore our executive Directors consider that the active negotiation process to be an indication that we were shortlisted to the advanced stage of tender selection process. Based on tender documents and communication with our customers, our executive Directors expected that the tender results of the potential projects to be received in the third quarter of 2022.

Based on the tender documents available and the pricing of our tenders submitted, our executive Directors estimate that the gross profit margin of Project No. T01 to T03 is within the range of approximately 10% to 13%.

In this connection, where any surplus remains after the up-front costs required by the Designated Projects are satisfied, we intend to apply such surplus towards fulfilling a portion of the relevant up-front costs of Project T01 to T03. Although our executive Directors are positive that we shall be able to secure the tender for Project T01 to T03 based on their latest tender status as set out above, there is no assurance that such tenders will eventually be awarded to us. Should we be unable to secure such project, we will utilise the [REDACTED] from the [REDACTED] allocated for financing project up-front costs of other successful projects. As at the Latest Practicable Date, our Group had 39 submitted tenders (without taking into account Project T01 to T03), with an aggregate

FUTURE PLANS AND USE OF [REDACTED]

estimated tender amount of more than HK\$1.3 billion, which were still undergoing tender selection process and pending tender result.

In addition to our 39 submitted tenders (without taking into account Project T01 to T03) as at the Latest Practicable Date, our Group has identified three additional projects for which we are interested in tendering for, with aggregate estimated tender amount of more than HK\$50 million (the "**Potential Projects**"). Based on the tender documents of the Potential Projects and depending on our projects backlog and liquidity position, our executive Directors currently target to submit the tenders for these Potential Projects in or around August 2022. Therefore, in the circumstances that we were unable to secure T01 to T03, we will apply the unutilised [REDACTED] designated to finance the up-front costs of other projects successfully obtained by us.

Based on our operation history during the Track Record Period and depending on the scale of the projects, we will generally start incurring substantial portion of the up-front costs around three to four months after the commencement of our projects. The average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first received payment from our customers is four months. Accordingly, based on the tentative project timeline available, we anticipate that we will start incurring substantial portion of the up-front costs for Project O14, O17 to O20, O22 and Project T01 to T03 from the third or fourth quarter of 2022 onwards.

In the event that the [REDACTED] designated by us are insufficient to fully fund the up-front costs of those projects successfully obtained by us, we currently plan to finance the shortfall by our internal resources and/or debt financing.

There is inherent uncertainty involved in predicting the number and scale of projects which will eventually be awarded to us and when exactly we are required to make available cash for project up-front costs. Further, the time required to complete tender review process and the subsequent award of contract varies depending on the customer and project size. Therefore, there is no assurance that we can accurately estimate when the results for the tenders we submitted are released or when exactly we are required to incur the up-front costs for the projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender; (ii) the particular customer's internal arrangement which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make payments to our subcontractors and suppliers; and (iv) our negotiation with our customers which may in turn affect the payment terms of our projects.

- (b) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for (i) expanding our manpower by recruiting three site agents, two quantity surveyors, three safety supervision staff, four

FUTURE PLANS AND USE OF [REDACTED]

site foremen and two finance and administration staff; and (ii) leasing an additional office with gross floor area of approximately 2,000 sq. ft. in proximity to the location of our existing office premises for providing sufficient workspace for our staff;

The following table sets out the particulars of staff by different functions that we intend to recruit upon [REDACTED]:

Position	Preferred experience and/or qualifications	Approximate monthly salary HK\$	No. of headcounts	Total salary for 18 months HK\$
Site agent	Minimum eight years of relevant work experience	50,000	3	2,700,000
Quantity surveyor	Minimum three years of relevant work experience; chartered surveyor preferred	35,000	2	1,260,000
Safety supervision staff	Zero to three years of relevant work experience	20,000 to 36,000	3	1,656,000
Site foreman	Minimum four years of relevant work experience	40,000	4	2,880,000
Finance and administration staff	Minimum three years of relevant work experience	30,000	2	1,080,000

As at the Latest Practicable Date, our Group had 41 projects on hand of which 12 projects had commenced with revenue expected to be derived of HK\$10.0 million or above individually after the Track Record Period. We have deployed at least two project supervision staff for each of the 12 sizeable ongoing projects aforementioned; whereas at least one project supervision staff was designated to oversee each of our remaining 25 projects on hand that had commenced as at the Latest Practicable Date with revenue expected to be derived below HK\$10.0 million individually. Based on the number and scale of our projects on hand as at the Latest Practicable Date, each of our project supervision staff was required to oversee multiple projects concurrently. Our executive Directors consider that it is crucial for our Group to maintain this work allocation ratio in order to ensure that we can properly supervise the works of our subcontractors and ensure their works are performed in conformance with our customers' requirements and specifications. Taking into consideration the expected increase in project supervision works associated with (i) the two projects on hand which had yet to commence as at the Latest Practicable Date, namely Project O14 and O17; and (ii) the tendered projects of which our executive Directors are positive to secure as at the Latest Practicable Date, namely Project T01 to T03, our executive Directors consider that our current project management staff might not be able to properly supervise and manage the site works performed. Therefore, our executive Directors consider that it is not feasible to maintain our project management efficiency if we continue to obtain additional projects in the future without expanding our human resources.

FUTURE PLANS AND USE OF [REDACTED]

Further, the increase in number of projects generally entails an increase in number of project worksites. As a result, our project supervision staff will be required to visit more locations in order to carry out their project supervisory works for different projects. If we intend to take up more sizeable and additional projects without recruiting additional personnel, we may fail to maintain our service quality because our project supervision staff could (i) become less responsive to our customers' requests and enquiries owing to the increase in workload; (ii) fail to promptly address ad-hoc or urgent matters at a particular project site as they may be occupied with management and supervisory works at other project sites at that time; and (iii) fail to closely monitor the work progress and quality of our subcontractors resulting in delay or sub-standard works.

As at the Latest Practicable Date, we had ten quantity surveyors. Our quantity surveyor plays a crucial role in the management of our cost budgets and sourcing of materials and tooling in relation to our projects. Our quantity surveyors are responsible for, among others, cost estimation, determining, procuring and monitoring the quantity of materials and toolings required in the project and managing the project implementation costs. As we recruit additional quantity surveyors, this could facilitate them to closely monitor and assess our project costs and actively communicate with our financial controller and executive Directors, which would in turn enable us to provide swift feedback or responses to our customers. In light of the additional projects we plan to undertake, we consider that we have the needs to recruit two additional quantity surveyors to achieve better work allocation and alleviate the workloads of our existing staff. Our executive Directors consider that recruiting additional quantity surveyors will enable us to improve the accuracy in making our cost estimation and enhance our flexibility in cost control when we respond to tender invitations, answer queries in relation to our tender submission and submit our revised fee quotation to our customers. Further, we consider that the recruitment of additional quantity surveyors can mitigate the risk of any interruption caused to our business operations resulting from the possible departure of any existing staff.

As part of our ongoing efforts to maintain the safety standard of our operations, our executive Directors consider that the recruitment of additional safety supervision staff could enhance our ability to supervise our employees and subcontractors in relation to work safety and ensure that our internal control measures on work safety are strictly implemented across our different work sites. The recruitment of additional safety supervision staff by us could facilitate us in ensuring our safety measures are strictly followed by our own employees and/or our subcontractors' employees in order to minimise the occurrence of accidents. Further, in light of the expected growth in the number and scale of projects undertaken by us, it is vital for us to maintain sufficient number of safety supervision staff such that we could closely monitor and supervise the safety levels of our various work sites.

FUTURE PLANS AND USE OF [REDACTED]

We currently intend to recruit two additional finance and administration staff and they will be stationed at the additional office. Our executive Directors are of the view that such recruitment would be necessary to our Group because additional manpower is required for (i) providing administrative support to our new staff at the additional office; (ii) managing the human resources matters in relation to our existing and new project management staff so as to alleviate the workload of our current finance and administration staff; and (iii) providing support to our financial controller and the Board in relation to our Group's future ongoing compliance with the Listing Rules upon the [REDACTED], such as preparation of interim and annual reports.

In view of the aforesaid, if we cannot expand our manpower to cope with the expected increase in our project backlogs, we may have to adopt a less proactive tendering strategy and reduce our submission of new tenders for additional projects until our workloads are reduced to a more manageable level. While this may provide a temporary measure to overcome our manpower constraint, this may be detrimental to our competitiveness in the long run because failure to respond to tender invitations may be perceived negatively by our customers and they could be less inclined to invite us to for their projects again in the future.

Currently, the office premises at our headquarters have been fully occupied. Other than the finance and administration staff who are stationed in our office on a full-time basis, our project management staff have to handle various tasks such as preparation of tender document, formulation of detailed budgets, work schedules and work allocation plan, procurement of materials, preparation of progress report and attending internal and external meetings at our office premises. Based on our internal attendance record, each of our project management staff has to spare approximately 30% to 40% of their work hours at our office for handling documentary tasks related to their project management roles. Since our project management staff are not stationed at our office premises on a full-time basis, they are not assigned with a fixed desk space generally and hence they would have to share the use of desk space with other project management team members on rotation basis when performing tasks at our office premises. On occasions when we are preparing tender submission or work allocation plan for various projects concurrently and a relatively high portion of project management staff have to work simultaneously at our office premises, some of the project management staff may have to work at our meeting room due to lack of desk space. As we only have one conference room at our office premises, we could only allow our project management staff to work at the conference room on an ad-hoc basis depending on its availability.

In view of the aforesaid, the leasing of additional office space will provide our existing and additional staff with adequate and stable spaces in their work environment. Based on our management's estimation, a total of 14 staff will work at our additional office. In addition, we also intend to reserve part of the additional office space for setting up an additional conference room for convening internal and external meetings.

FUTURE PLANS AND USE OF [REDACTED]

- (c) approximately HK\$[REDACTED] million, representing approximately [REDACTED] of the estimated [REDACTED], will be used for purchasing machinery and motor vehicles, comprising two forklifts, 11 plaster spray machines, approximately 400 sets of parts and components for plaster spray machines and two motor vehicles;

The intended purchase of forklifts and plaster spray machines are generally in line with our practice of deploying our self-owned machinery for site works during the Track Record Period. For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, we purchased machinery in the amount of approximately HK\$0.4 million, HK\$0.3 million, HK\$0.7 million and HK\$0.8 million at costs, respectively. During the Track Record Period and up to the Latest Practicable Date, we have purchased seven forklifts and 16 plaster spray machines. As it is our practice to use our self-owned machinery to support our site works, our executive Directors consider that it is imperative for us to continue acquiring additional machinery to cope with the increase in our backlog projects.

Our executive Directors consider that it is critical to maintain sufficient self-owned machinery to cater for our business development. It is our practice to use self-owned machinery instead of using leased machinery because (i) there is no guarantee that we can lease the required machinery on time and of good quality; and (ii) pursuant to our contract terms with subcontractors, we are generally responsible for providing machinery for the use of subcontractors in carrying out their works in our projects. Having our own fleet of machinery will facilitate us in deploying the relevant machinery to different projects more efficiently. As such, we generally deploy our self-owned forklifts and plaster spray machines instead of relying on our suppliers for machinery rental.

According to the Industry Report, the average daily wages of major wet trades workers have increased from approximately HK\$1,440.1 per day in 2016 to approximately HK\$1,445.7 per day in 2021, representing a CAGR of 0.1%. Due to labour shortage in the construction industry in Hong Kong, it is expected that construction companies will increasingly use machinery such as plaster spray machine to replace manual works so as to mitigate the impact of rising labour costs. The use of plaster spray machine will enable us to lower the needs for manual input by workers. According to the Industry Report, it is increasingly common to replace manual operation with the use of plaster spray machines for wet trades projects involving plastering works so as to increase the productivity of workers and further enhance the quality of craftsmanship. The use of plaster spray machines can ensure plaster can be applied on the wall surface evenly and speedily and can attain a higher level of standardisation in the works quality. As a result, where plaster spray machines are used in the plastering process, we could generally incur less time in performing quality inspection, which, in turn, could speed up our project implementation process. As such, our executive Directors believe that we will be in a better position to negotiate for more favourable pricing from our subcontractors if we could increase the use of plaster spray machine in the future.

FUTURE PLANS AND USE OF [REDACTED]

Being limited by the number of our forklifts and plaster spray machines during the Track Record Period, we had to constantly transport our machinery among worksites according to our work progress and project schedule. As plaster spray machine and forklifts are relatively bulky, we generally engage third party service providers to transport our machinery among work sites which resulted in idle time of the machinery and transportation costs. Taking into consideration the expected increase in number and scale of projects to be undertaken by us, our executive Directors consider that we have the operational needs to strengthen our fleet of machinery. Having a larger fleet of machinery will enable us to deploy sufficient machinery to each ongoing project more efficiently, and hence this could minimise our needs for arranging transportation for the machinery and reduce the idle time incurred in the transportation process.

Based on our consumption pattern during the Track Record Period, a fully operating plaster spray machine generally consumes approximately two to three sets of parts and components per month. Parts and components of plaster spray machine are consumable in nature and cannot be reused after consumption. During the Track Record Period, we consumed approximately 750 sets of parts and components per year in support of our plaster spray machines. To cater for the operation of the ten plaster spray machine that we intend to acquire, we plan to purchase approximately 400 parts for consumption in the forthcoming 18 months after the [REDACTED].

- (d) approximately HK\$[REDACTED], representing approximately [REDACTED] of the estimated [REDACTED], will be used for procuring an enterprise resources planning system;
- (e) approximately HK\$[REDACTED], representing approximately [REDACTED] of the estimated [REDACTED], will be used for purchasing 20,000 sets of planks and toe-boards to further strengthen our occupational safety; and
- (f) approximately HK\$[REDACTED], representing approximately [REDACTED] of the estimated [REDACTED], will be reserved as our general working capital.

FUTURE PLANS AND USE OF [REDACTED]

The following table sets out a summary of our implementation plan:

	From the [REDACTED] to 31 March 2023 <i>HK\$'million</i>	From 1 April 2023 to 31 March 2024 <i>HK\$'million</i>	Total <i>HK\$'million</i>	Approximate % of [REDACTED] <i>HK\$'million</i>
Financing the up-front costs of our projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expanding our manpower and leasing an additional office	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchasing additional machinery and motor vehicles	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Procuring an enterprise resources planning system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchasing planks and toe-boards	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

There can be no assurance that the [REDACTED] from the [REDACTED] will be sufficient for fully implementing our business expansion plans. For instance, (i) the up-front costs requirement for projects awarded to us may exceed the [REDACTED] allocated for such purpose as set out above; (ii) the number of additional staff we intend to recruit may not fulfil the manpower needs as we continue to undertake additional and more sizeable projects; and (iii) the number of machinery we intend to purchase may not be sufficient to fulfil the machinery needs associated with the increase in number and scale of projects to be undertaken by us. In the event any of the above occurs or that the [REDACTED] becomes unsuccessful such that the [REDACTED] from the [REDACTED] becomes unavailable to us, we may adjust the timing and scale of our business expansion plans and/or seek alternative form of financing.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the applicable laws and regulations, we intend to deposit the [REDACTED] into short-term interest-bearing deposits with licensed banks in Hong Kong.

In the event that the [REDACTED] is exercised in full, we estimate that we will receive additional [REDACTED] from the sales of these additional [REDACTED] of approximately HK\$[REDACTED] million, after deducting the [REDACTED] commissions and other estimated offering expenses payable by us and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED]. In the event that the [REDACTED] is set at the low-end of the proposed [REDACTED] range and the [REDACTED] is exercised in full, our Company will receive additional [REDACTED] of approximately HK\$[REDACTED] million. In the event that the

FUTURE PLANS AND USE OF [REDACTED]

[REDACTED] is set at the high-end of the proposed [REDACTED] range and the [REDACTED] is exercised in full, our Company will receive additional [REDACTED] of approximately HK\$[REDACTED] million. The allocation of the additional [REDACTED] will be used in the same proportions as set out above.

Assuming the [REDACTED] is not exercised at all, and in the event that the [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, the [REDACTED] to be received from the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] million, respectively. In such event, the [REDACTED] will be used in the same proportions as disclosed above.

We will issue an announcement in the event that there is any material change in the use of [REDACTED] of the [REDACTED] as described above.

[REDACTED]

[REDACTED]

[•]

[REDACTED]

[•]

[REDACTED]

[•]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Grounds for termination

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[Draft]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GC CONSTRUCTION HOLDINGS LIMITED (FORMERLY KNOWN AS CHAN KIU ENGINEERING HOLDINGS LIMITED) AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of GC Construction Holdings Limited (formerly known as Chan Kiu Engineering Holdings Limited) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[64], which comprises the consolidated statements of financial position as at 31 March 2019, 2020, 2021 and 2022, the company statement of financial position as at 31 March 2021 and 31 March 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2019, 2020, 2021 and 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[64] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 March 2021 and 2022 and the consolidated financial position of the Group as at 31 March 2019, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[REDACTED]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March			
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	447,920	513,154	440,369	456,432
Cost of services	7	<u>(416,409)</u>	<u>(467,153)</u>	<u>(386,447)</u>	<u>(398,744)</u>
Gross profit		31,511	46,001	53,922	57,688
Other income	6	85	208	19,628	592
Administrative expenses	7	(12,229)	(14,041)	(11,197)	(12,087)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(Impairment losses)/reversal of impairment loss on trade receivables and contract assets	3.1(a)	<u>(146)</u>	<u>(220)</u>	<u>(216)</u>	<u>360</u>
Operating profit		<u>19,221</u>	<u>31,948</u>	<u>53,599</u>	<u>38,911</u>
Finance income	10	40	127	34	1
Finance costs	10	<u>(704)</u>	<u>(1,402)</u>	<u>(843)</u>	<u>(140)</u>
Finance costs, net		<u>(664)</u>	<u>(1,275)</u>	<u>(809)</u>	<u>(139)</u>
Profit before income tax expense		18,557	30,673	52,790	38,772
Income tax expense	11	<u>(2,867)</u>	<u>(4,863)</u>	<u>(6,751)</u>	<u>(7,478)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>15,690</u>	<u>25,810</u>	<u>46,039</u>	<u>31,294</u>
Earnings per share attributable to owners of the Company					
Basic and diluted (expressed in HK\$ per share)	12	<u>0.40</u>	<u>0.66</u>	<u>1.18</u>	<u>0.81</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March				
		2019	2020	2021	2022	
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
ASSETS						
Non-current assets						
	Plant and equipment	14	1,060	933	1,658	1,702
	Right-of-use assets	15	1,790	1,060	328	820
	Deposits	18	217	187	–	173
			<u>3,067</u>	<u>2,180</u>	<u>1,986</u>	<u>2,695</u>
Current assets						
	Trade receivables	18	39,002	52,398	35,915	27,183
	Contract assets	19	76,956	102,469	117,305	130,272
	Other receivables, deposits and prepayments	18	3,673	4,183	7,741	11,039
	Amount due from immediate holding company	25(d)	–	–	431	437
	Tax recoverable		9,437	4,526	–	–
	Pledged short-term bank deposits	20	5,040	5,140	5,174	–
	Cash and cash equivalents	20	27,249	6,818	18,697	27,546
			<u>161,357</u>	<u>175,534</u>	<u>185,263</u>	<u>196,477</u>
	Total assets		<u>164,424</u>	<u>177,714</u>	<u>187,249</u>	<u>199,172</u>
EQUITY						
Equity attributable to owners of the Company						
	Share capital	21	–	–	390	390
	Capital reserve	21	–*	–*	–*	–*
	Reserves		<u>40,173</u>	<u>64,733</u>	<u>110,772</u>	<u>142,066</u>
	Total equity		<u>40,173</u>	<u>64,733</u>	<u>111,162</u>	<u>142,456</u>

* The amount is below HK\$1,000.

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	<i>Notes</i>	As at 31 March			
		2019	2020	2021	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
LIABILITIES					
Non-current liabilities					
Lease liabilities	15	1,154	394	–	353
Deferred tax liabilities	16	117	98	176	174
		<u>1,271</u>	<u>492</u>	<u>176</u>	<u>527</u>
Current liabilities					
Trade payables	22	26,592	16,858	25,183	28,707
Accruals and other payables	22	19,607	18,929	21,207	14,656
Amount due to a director	25(e)	27,870	22,956	15,341	10,741
Contract liabilities	19	17,977	15,861	1,804	887
Lease liabilities	15	706	760	385	510
Bank borrowings	23	30,228	37,125	2,628	–
Current income tax liabilities		–	–	9,363	688
		<u>122,980</u>	<u>112,489</u>	<u>75,911</u>	<u>56,189</u>
Total liabilities		<u>124,251</u>	<u>112,981</u>	<u>76,087</u>	<u>56,716</u>
Total equity and liabilities		<u>164,424</u>	<u>177,714</u>	<u>187,249</u>	<u>199,172</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March 2021	As at 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Investments in subsidiaries (<i>Note</i>)		101,592	101,592
Current assets			
Prepayments	18	2,997	6,448
Amount due from immediate holding company	25(d)	390	390
Cash and cash equivalents		—	4
		<u>3,387</u>	<u>6,842</u>
Total assets		<u>104,979</u>	<u>108,434</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	390	390
Capital reserve	21	101,592	101,592
Accumulated losses	21	(8,538)	(16,182)
Total equity		<u>93,444</u>	<u>85,800</u>
LIABILITIES			
Current liabilities			
Accruals	22	3,081	4,852
Amount due to a subsidiary	25(f)	8,454	17,782
Total liabilities		<u>11,535</u>	<u>22,634</u>
Total equity and liabilities		<u>104,979</u>	<u>108,434</u>

Note: The investments in subsidiaries represent the carrying values of the net assets of the [REDACTED] Business attributable to owners of the Company transferred to the Company upon the completion of the Reorganisation (Note 1.2).

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Notes</i>	Attributable to owners of the Company		
		Share capital (<i>Note 21</i>) <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2018		–	30,483	30,483
Profit and total comprehensive income for the year		–	15,690	15,690
Dividend	13	–	(6,000)	(6,000)
Balance at 31 March 2019		–	40,173	40,173
Balance at 1 April 2019		–	40,173	40,173
Profit and total comprehensive income for the year		–	25,810	25,810
Dividend	13	–	(1,250)	(1,250)
Balance at 31 March 2020		–	64,733	64,733
Balance at 1 April 2020		–	64,733	64,733
Issuance of shares of the Company	21	390	–	390
Profit and total comprehensive income for the year		–	46,039	46,039
Balance at 31 March 2021		390	110,772	111,162
Balance at 1 April 2021		390	110,772	111,162
Profit and total comprehensive income for the year		–	31,294	31,294
Balance at 31 March 2022		390	142,066	142,456

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Cash flows from operating activities					
Cash (used in)/generated from operations	24(a)	(25,368)	(18,780)	51,672	30,508
Income tax (paid)/refunded, net		(23,775)	29	7,216	(16,155)
Net cash (used in)/generated from operating activities		(49,143)	(18,751)	58,888	14,353
Cash flows from investing activities					
Purchase of plant and equipment	14	(502)	(332)	(1,286)	(868)
Proceeds from disposal of plant and equipment		–	–	5	–
Advance to immediate holding company		–	–	(41)	(6)
Finance income received		40	127	34	1
Net cash used in investing activities		(462)	(205)	(1,288)	(873)
Cash flows from financing activities					
Proceeds from bank borrowings	24(c)	64,200	75,000	42,000	–
Repayments of bank borrowings	24(c)	(37,671)	(80,529)	(63,000)	–
(Increase)/decrease in pledged short-term bank deposits	24(c)	(5,040)	(100)	(34)	5,174
Dividends paid	13	(6,000)	(1,250)	–	–
Payments for principal and interest of lease liabilities	24(c)	(808)	(771)	(767)	(527)
Payments of [REDACTED] expenses	24(c)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance cost paid		(608)	(1,337)	(809)	(120)
Repayment to a director	24(c)	(5,970)	(4,914)	(7,980)	(4,600)
Advance from a director	24(c)	–	–	365	–
Net cash generated from/(used in) financing activities		8,103	(13,901)	(32,224)	(2,003)
Net (decrease)/increase in cash and cash equivalents					
Cash and cash equivalents at beginning of the year		65,052	23,550	(9,307)	16,069
Cash and cash equivalents at end of the year	20	23,550	(9,307)	16,069	27,546

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

GC Construction Holdings Limited (formerly known as Chan Kiu Engineering Holdings Limited) (the “Company”) was incorporated in the Cayman Islands on 28 April 2020 as an exempted company with limited liability under Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in provision of wet trades works to public or private residential and commercial properties in Hong Kong (the “[REDACTED] Business”). The ultimate holding company of the Company is Evolve Billion Limited (“Evolve Billion”). The ultimate controlling shareholders of the Group are Mr. Chan Kiu Sum (“Mr. KS Chan”) and Mr. Chan Wing Ping (“Mr. WP Chan”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the [REDACTED] Business was carried out by Chan Kiu Construction Decoration Engineering Limited (“Chan Kiu”) and Ying Wai (Chan Kiu) Construction Engineering Co., Limited (“Ying Wai”) (collectively known as the “Operating Companies”), both of which were held as to 80% by Mr. KS Chan and 20% by Mr. WP Chan.

Mr. WP Chan is the cousin-in-law of Mr. KS Chan.

In preparation for the initial [REDACTED] (“[REDACTED]”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Operating Companies underwent the Reorganisation to transfer the [REDACTED] Business to the Company principally through the following steps:

- (1) On 21 April 2020, Evolve Billion was incorporated in the British Virgin Islands (the “BVI”) with limited liability. 80 and 20 fully paid ordinary shares, representing 80% and 20% of the issued shares of Evolve Billion, were allotted and issued to Mr. KS Chan and Mr. WP Chan on the same date respectively.
- (2) On 28 April 2020, the Company was incorporated in the Cayman Islands. Upon incorporation of the Company, one ordinary share was allotted and issued as fully paid at par value of US\$1 to an initial subscriber which was later transferred to Evolve Billion on the same date, and a further of 49,999 ordinary shares with a par value of US\$1 each were allotted and issued as fully paid to Evolve Billion. Accordingly, Evolve Billion then held 50,000 ordinary shares with a par value of US\$1 each of the Company (the “USD-denominated Shares”) and the Company became a directly wholly-owned subsidiary of Evolve Billion.
- (3) On 8 May 2020, Wai Wai Prestige Company Limited (“Wai Wai”) and Ying Ying Company Limited (“Ying Ying”) were both incorporated under the laws of BVI with limited liability. 100 fully paid shares of Wai Wai and 100 fully paid shares of Ying Ying, representing the entire issued shares of Wai Wai and Ying Ying, were allotted and issued to the Company on the same date respectively. Accordingly, Wai Wai and Ying Ying became direct wholly owned subsidiaries of the Company.
- (4) On 24 September 2020, the Company allotted and issued 39,000,000 new shares with a par value of HK\$0.01 each to Evolve Billion and repurchased and cancelled all the USD-denominated Shares from Evolve Billion.

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- (5) On 17 November 2020, Mr. KS Chan and Mr. WP Chan entered into a reorganisation agreement with Wai Wai, Ying Ying and the Company, pursuant to which (i) each of Mr. KS Chan and Mr. WP Chan agreed to transfer their 8 shares and 2 shares in Ying Wai, respectively, (together representing the entire issued share capital of HK\$10 in Ying Wai) to Ying Ying; and (ii) each of Mr. KS Chan and Mr. WP Chan agreed to transfer their 8 shares and 2 shares in Chan Kiu (together representing the entire issued share capital of HK\$10 in Chan Kiu) to Wai Wai. In consideration of the above, Wai Wai and Ying Ying each allotted and issued 900 shares of US\$1 each to the Company at the direction of Mr. KS Chan and Mr. WP Chan.

As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Principal activities and place of operations	Issued and fully paid up share capital	Attributable equity interest of the Group as at		As at the date of this report	Notes
				31 March 2019, 2020, 2021 and 2022			
<i>Direct Interests</i>							
Ying Ying Company Limited	The BVI, 8 May 2020	Investment holding, the BVI	US\$1,000	N/A, N/A, 100%, 100%		100%	(a)
Wai Wai Prestige Company Limited	The BVI, 8 May 2020	Investment holding, the BVI	US\$1,000	N/A, N/A, 100%, 100%		100%	(a)
<i>Indirect Interests</i>							
Chan Kiu Construction Decoration Engineering Limited	Hong Kong, 18 October 2007	Provision of wet trades works, Hong Kong	HK\$10	100%, 100%, 100%, 100%		100%	(b)
Ying Wai (Chan Kiu) Construction Engineering Co., Limited	Hong Kong, 30 July 2005	Provision of wet trades works, Hong Kong	HK\$10	100%, 100%, 100%, 100%		100%	(b)

Notes:

- (a) No audited statutory financial statements have been prepared for these subsidiaries as they were newly incorporated and there are no statutory audit requirements under the applicable law in the place of incorporation of the entities.
- (b) Statutory financial statements for the years ended 31 March 2019, 2020 and 2021 were audited by Nortex (HK) CPA Limited. The statutory financial statements for the year ended 31 March 2022 has not yet been issued.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business were mainly conducted through the Operating Companies, and ultimately controlled by Mr. KS Chan and Mr. WP Chan. Pursuant to the Reorganisation, the Operating Companies were transferred to and held indirectly by the Company. As the Company, Ying Ying and Wai Wai had not been involved in any other business prior to the Reorganisation and do not meet the definition of a business, the Reorganisation is merely a recapitalisation of the [REDACTED] Business with no change in business substance, management of such business and the ultimate controlling shareholders of the Operating Companies remain the same. Accordingly, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the Operating Companies for all years presented for the purpose of this report.

Inter-company transactions, balances and unrealised gains/losses on transactions among group companies are eliminated on consolidation.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Historical Financial Information have been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Group has adopted HKFRS 9 “Financial instruments” (“HKFRS 9”) and HKFRS 15 “Revenue from contracts with customers” (“HKFRS 15”) and HKFRS 16 “Leases” (“HKFRS 16”) using full retrospective approach with which the relevant accounting policies have been consistently applied to the Group’s Historical Financial Information throughout the Track Record Period.

The following new standards, amendments to standards, and interpretation that have been issued, but are not yet effective for the Track Record Period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 April 2022
Annual improvements project	Annual Improvements to HKFRSs 2018–2020	1 April 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 April 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 April 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
HKAS 3 (Amendments)	Reference to the Conceptual Framework	1 April 2022
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 April 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 April 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 April 2023
HKFRS 17	Insurance Contracts	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and interpretation. According to the preliminary assessment made by the directors of the companies now comprising the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

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2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within “other gains/(losses)”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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2.5 Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs net of their residual values over their estimated useful lives, as follows:

Office equipment and furniture	5 years
Machinery	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- a) The asset is held within a business model whose objective is to collect the contractual cash flows; and
- b) The contractual terms give rise to cash flows that are solely payments of principal and interest.

Management determines the classification of its financial assets at initial recognition. The Group reclassifies debt investments when and only when its business model for managing the assets changes.

If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Company's and the Group's financial assets comprise trade receivables, other receivables and deposits, amount due from a director, pledged short-term bank deposits and cash and cash equivalents.

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(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statements of comprehensive income and presented in “other gains/(losses)”. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including deposits and other receivables, management considers that their credit risks have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

(e) Derecognition

The Group derecognises a financial assets, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows (“pass through” requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

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Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in the consolidated statements of comprehensive income:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

2.8 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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2.11 Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration from customers in exchange for the provision of wet trades works that the Group has transferred to the customers that is not yet unconditional. Contract assets arise when the Group has provided the wet trades works and other wet trades related ancillary works under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or the Group’s right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when the Group’s right to payment becomes unconditional other than passage of time.

In accordance with the terms of the contracts entered into with customers, the Group are required to submit to customers payment applications for the value of work done under the contracts along with any variation orders performed. Customers will settle normally in 14–60 days after certifying the monthly payment applications based on their assessment of work done by the Group. Customers usually retain an amount up to 10% of the value of work done, subject to a maximum limit of 5% of the contract sum as retention money for the contract. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period and the discussion of final accounts.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability represents the Group’s obligation to transfer the aforesaid services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.12 Pledged short-term bank deposits

Pledged short-term bank deposits represent fixed deposits pledged to the banks for issuance of bank facilities and bank borrowings. Such pledged short-term bank deposits can be released when the Group repays the bank borrowings or withdrawn at any time if other qualified securities are placed as alternative.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less, and bank overdrafts. In the consolidated statements of financial position, bank overdrafts are shown within “borrowings” in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

2.17 Borrowing costs

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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2.19 Employee benefits

(a) *Retirement benefit obligations*

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Both the Group and the staff are required to contribute 5% of the employees' relevant income with a ceiling of HK\$1,500 per month to the MPF Scheme. The assets of the MPF Scheme are held in a separately administered fund. The Group's contributions to the MPF Scheme are expensed as incurred.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) *Bonuses*

The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered in the normal course of business.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

(a) Revenue from provision of wet trades works

Revenue from provision of wet trades works is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation (for example, subcontracting fees, cost of materials and toolings) relative to the total expected inputs to the satisfaction of the performance obligation.

The payment terms differed for different customers due to the variety of projects. Most of the payment is payable according to the stage of construction with credit term of 14–60 days. 5% of the contract price is recognised as retention receivables, which would be paid after the retention period expires. The Group does not intend to give financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

For construction contracts with fixed price, the Group recognises the revenue in accordance with the contract price on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of services to its customers.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

For construction contracts that contain variable consideration such as variations in contract work, the Group estimates the amount of consideration to which it will be entitled using the expected value method. The estimated amount of variable consideration is included in the construction contract only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

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At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(b) Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customers or the Group with a significant benefit of financing the transfer or services to the customers. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties of the contracts.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

The Group enters into lease agreements as a lessee with respect to certain premises and motor vehicles.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

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Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of printers and photocopiers.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices and accounts for separately.

Some of the property leases include extension options. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

2.24 Dividend distribution

Dividend distribution to the shareholders of the Company or the companies now comprising the Group is recognised as a liability in the consolidated and company financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

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2.25 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within "Other income" in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are offset against the costs of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activity is undertaken by management.

(a) *Credit risk*

(i) *Risk management*

The carrying amounts of cash and cash equivalents, pledged short-term bank deposits, trade receivables, amount due from immediate holding company, deposits and other receivables and contract assets included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management considers the Group has limited credit risk with its banks which are leading and reputable and their external credit ratings are of investment grades. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The procedures focus on the evaluations on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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As at 31 March 2019, 2020, 2021 and 2022, the Group is exposed to concentration of credit risk on trade receivables and contract assets from the Group's five largest customers amounting to approximately HK\$89,436,000, HK\$125,832,000, HK\$105,596,000 and HK\$116,384,000 and accounted for approximately 77%, 81%, 69% and 74% of the total trade receivables and contract assets balance respectively. The major customers of the Group are reputable organisations and with good repayment history. Management considers that the credit risk is limited in this regard.

The Group's other financial assets at amortised cost are considered to be low credit risk. Management has closely monitored the credit qualities and the collectability.

(ii) *Impairment of assets*

The Group has six types of assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- other receivables at amortised cost;
- amount due from immediate holding company;
- cash and cash equivalents; and
- pledged short-term bank deposits.

While cash and cash equivalents and pledged short-term bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the relevant banks' external credit ratings are of investment grades.

Trade receivables and contract assets

The Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of revenue over a period of 12 months before each reporting period end and the corresponding historical credit losses experienced within each reporting period. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors (i.e. GDP and employment rate) affecting the ability of the customers to settle the receivables.

Based on the management assessment, the provision for impairment of trade receivables and contract assets is approximately HK\$304,000, HK\$524,000, HK\$740,000 and HK\$380,000 as at 31 March 2019, 2020, 2021 and 2022, respectively.

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On that basis, the loss allowance as at end of each reporting period was determined as follows for trade receivables.

		Past due within 30 days	Past due 31 to 60 days	Over 60 days	Total
At 31 March 2019	Current				
Gross carrying amount (HK\$'000)	30,789	7,455	862	34	39,140
Expected credit loss rates	0.2%	0.5%	1.9%	52.9%	
Loss allowance (HK\$'000)	(66)	(38)	(16)	(18)	(138)
Net carrying amount (HK\$'000)	<u>30,723</u>	<u>7,417</u>	<u>846</u>	<u>16</u>	<u>39,002</u>
At 31 March 2020	Current				
Gross carrying amount (HK\$'000)	43,027	9,566	-	-	52,593
Expected credit loss rates	0.3%	0.6%			
Loss allowance (HK\$'000)	(139)	(56)	-	-	(195)
Net carrying amount (HK\$'000)	<u>42,888</u>	<u>9,510</u>	<u>-</u>	<u>-</u>	<u>52,398</u>
At 31 March 2021	Current				
Gross carrying amount (HK\$'000)	23,530	12,124	477	8	36,139
Expected credit loss rates	0.4%	0.8%	4.8%	12.5%	
Loss allowance (HK\$'000)	(105)	(95)	(23)	(1)	(224)
Net carrying amount (HK\$'000)	<u>23,425</u>	<u>12,029</u>	<u>454</u>	<u>7</u>	<u>35,915</u>
At 31 March 2022	Current				
Gross carrying amount (HK\$'000)	19,286	5,211	2,296	556	27,349
Expected credit loss rates	0.2%	0.5%	2.3%	10.3%	
Loss allowance (HK\$'000)	(31)	(26)	(52)	(57)	(166)
Net carrying amount (HK\$'000)	<u>19,255</u>	<u>5,185</u>	<u>2,244</u>	<u>499</u>	<u>27,183</u>

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On a similar basis as above, the loss allowance as at end of each reporting period was determined as follows for contract assets.

Current	As at 31 March			
	2019	2020	2021	2022
Gross carrying amount (HK\$’000)	77,122	102,798	117,821	130,486
Expected credit loss rates	0.2%	0.3%	0.4%	0.2%
Loss allowance (HK\$’000)	<u>(166)</u>	<u>(329)</u>	<u>(516)</u>	<u>(214)</u>
Net carrying amount (HK\$’000)	<u><u>76,956</u></u>	<u><u>102,469</u></u>	<u><u>117,305</u></u>	<u><u>130,272</u></u>

The loss allowance provision for trade receivables and contract assets as at 31 March 2019, 2020, 2021 and 2022 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables HK\$’000	Contract assets HK\$’000	Total HK\$’000
As at 1 April 2018	113	45	158
Provision for impairment	<u>25</u>	<u>121</u>	<u>146</u>
As at 31 March 2019	138	166	304
Provision for impairment	<u>57</u>	<u>163</u>	<u>220</u>
As at 31 March 2020	195	329	524
Provision for impairment	<u>29</u>	<u>187</u>	<u>216</u>
As at 31 March 2021	224	516	740
Reversal of impairment loss	<u>(58)</u>	<u>(302)</u>	<u>(360)</u>
As at 31 March 2022	<u><u>166</u></u>	<u><u>214</u></u>	<u><u>380</u></u>

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Other receivables at amortised cost

Other receivables at amortised cost mainly represents other receivables and deposits in well-known companies. Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

Amount due from immediate holding company

The directors consider the credit risk on the amount due from immediate holding company is low as no default payment was noted.

(b) Market risk

(i) Foreign exchange risk

Most of the income and expenditures of the Group are denominated in HK\$, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange risk exposure.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from pledged bank deposit, cash at banks and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by the bank deposits. The interest rate profile of pledged bank deposit and bank borrowings are disclosed in Note 20 and Note 23 respectively. The bank deposits generate interest at the prevailing market interest rates.

At 31 March 2019, 2021 and 2022, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the years then ended would have been approximately HK\$9,000, HK\$78,000 and HK\$115,000 higher/lower respectively, mainly as a result of higher/lower interest income on cash at banks.

At 31 March 2020 if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year then ended would have been HK\$105,000 lower/higher mainly as a result of higher/lower net interest expenses on floating rate bank borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met. In order to meet their liquidity requirements in the short and longer term, the Group may adjust the amount of dividends paid to shareholders and drawdown available bank facilities. Further, the management performs monthly review of receivables and payables ageing analysis to ensure the Group is able to maintain sufficient financial resources to meet its liquidity requirement and to follow up on any overdue balances.

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The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the period-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for remaining financial liabilities is prepared based on the scheduled repayment dates.

The Group

	On demand	Within 1 year	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2019				
Trade payables	–	26,592	–	26,592
Accruals and other payables	–	16,924	–	16,924
Amount due to a director	27,870	–	–	27,870
Bank overdrafts	3,699	–	–	3,699
Bank borrowings	26,529	–	–	26,529
Lease and interest payments	–	797	1,259	2,056
	<u>58,098</u>	<u>44,313</u>	<u>1,259</u>	<u>103,670</u>

	On demand	Within 1 year	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2020				
Trade payables	–	16,858	–	16,858
Accruals and other payables	–	12,432	–	12,432
Amount due to a director	22,956	–	–	22,956
Bank overdrafts	16,125	–	–	16,125
Bank borrowings	21,000	–	–	21,000
Lease and interest payments	–	794	400	1,194
	<u>60,081</u>	<u>30,084</u>	<u>400</u>	<u>90,565</u>

	On demand	Within 1 year	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2021				
Trade payables	–	25,183	–	25,183
Accruals and other payables	–	17,763	–	17,763
Amount due to a director	15,341	–	–	15,341
Bank overdrafts	2,628	–	–	2,628
Lease and interest payments	–	391	–	391
	<u>17,969</u>	<u>43,337</u>	<u>–</u>	<u>61,306</u>

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	On demand <i>HK\$’000</i>	Within 1 year <i>HK\$’000</i>	Over 1 year <i>HK\$’000</i>	Total <i>HK\$’000</i>
As at 31 March 2022				
Trade payables	–	28,707	–	28,707
Accruals and other payables	–	11,943	–	11,943
Amount due to a director	10,741	–	–	10,741
Lease and interest payments	–	537	358	895
	<u>10,741</u>	<u>41,187</u>	<u>358</u>	<u>52,286</u>

The Company

	Within 1 year <i>HK\$’000</i>
As at 31 March 2021	
Accruals	3,081
Amount due to a subsidiary	<u>8,454</u>
	<u>11,535</u>

	Within 1 year <i>HK\$’000</i>
As at 31 March 2022	
Accruals	4,852
Amount due to a subsidiary	<u>17,782</u>
	<u>22,634</u>

The table below summarises the maturity analysis of bank borrowings of the Group with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table.

	Within 1 year <i>HK\$’000</i>
As at 31 March 2019	<u>26,748</u>
As at 31 March 2020	<u>21,373</u>
As at 31 March 2021	<u>–</u>
As at 31 March 2022	<u>–</u>

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3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group mainly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or repay borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and pledged short-term bank deposits. Total capital is calculated as “equity” as shown in the consolidated statements of financial position, plus net debt.

The gearing ratio at 31 March 2019, 2020, 2021 and 2022 were as follows:

		As at 31 March			
		2019	2020	2021	2022
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Bank borrowings	23	30,228	37,125	2,628	–
Lease liabilities	15(b)	1,860	1,154	385	863
Amount due to a director	25(e)	27,870	22,956	15,341	10,741
Less: Cash and cash equivalents and pledged short-term bank deposits	20	(32,289)	(11,958)	(23,871)	(27,546)
Net debt/(cash)		27,669	49,277	(5,517)	(15,942)
Total equity		40,173	64,733	111,162	142,456
Total capital		<u>67,842</u>	<u>114,010</u>	<u>105,645</u>	<u>126,514</u>
Gearing ratio		<u>41%</u>	<u>43%</u>	<u>N/A</u>	<u>N/A</u>

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying value of the Group’s financial assets and liabilities are reasonable approximation to their fair values due to the relatively short-term nature of these financial instruments.

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3.4 Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset as at 31 March 2019, 2020, 2021 and 2022.

	Gross amounts <i>HK\$’000</i>	Gross amounts set off in the consolidated statement of financial position <i>HK\$’000</i>	Net amounts presented in the consolidated statement of financial position <i>HK\$’000</i>
As at 31 March 2019			
Financial assets			
Other receivables, deposits and prepayments	20,389	(16,499)	3,890
Financial liabilities			
Trade payables	43,091	(16,499)	26,592
As at 31 March 2020			
Financial assets			
Other receivables, deposits and prepayments	16,074	(11,704)	4,370
Financial liabilities			
Trade payables	28,562	(11,704)	16,858
As at 31 March 2021			
Financial assets			
Other receivables, deposits and prepayments	21,661	(13,920)	7,741
Financial liabilities			
Trade payables	39,103	(13,920)	25,183
As at 31 March 2022			
Financial assets			
Other receivables, deposits and prepayments	18,188	(6,976)	11,212
Financial liabilities			
Trade payables	35,683	(6,976)	28,707

Note: As at 31 March 2019, 2020, 2021 and 2022, other receivables from subcontractors which represents labour costs of site workers directly settled by the Group, are offset against trade payables to the same subcontractor pursuant to the Group’s contracts with its customers and arrangements with subcontractors, as well as industry practice.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of wet trade works. The progress is determined by the aggregated cost for the individual performance obligation incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction contract budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and estimated revenue which contains variable consideration. Because of the nature of the activities undertaken in the construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both transaction price and contract cost in the budget prepared for each construction contract as the contract progresses.

Significant judgement is required in estimating the progress of performance, total contract costs and value of variation work which may have an impact on percentage of completion of the construction contracts and the contract revenue and profit to be recognised in an accounting period. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade receivables and contract assets

The Group follows the guidance of HKFRS 9 to determine whether trade receivables and contract assets are impaired. Significant judgement is exercised on the assessment of the risk of default and expected credit losses from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments, customers' financial positions and expected future change of credit risks, including consideration of factors such as general economy measure, changes in macro-economic indicators, etc. Details of assumptions and inputs used are discussed in Note 3.1(a)(ii).

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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5 REVENUE AND SEGMENT INFORMATION

The executive directors are identified as the chief operating decision makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources.

The Group’s revenue is derived from provision of wet trades works in Hong Kong and accordingly, there is only one single operating segment for the Group under HKFRS 8.

(a) Revenue

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Wet trades work	447,920	513,154	440,369	456,432

All of the Group’s revenue is recognised over time for the Track Record Period.

(b) Revenue from major customers

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer 1	112,712	243,932	155,384	154,236
Customer 2	140,438	71,199	N/A*	N/A*
Customer 3	45,649	N/A*	N/A*	70,820
Customer 4	N/A*	58,470	N/A*	N/A*
Customer 5	–	N/A*	72,796	59,012
Customer 6	N/A*	N/A*	48,445	N/A*

* Represent less than 10% of revenue for the respective year.

All of the Group’s revenue are generated in Hong Kong.

(c) Segment assets and liabilities

The Group monitors its total assets and liabilities centrally in one single operating segment. All of the Group’s non-current assets are located in Hong Kong.

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(d) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year				
– Wet trades works	32,588	17,566	14,298	1,804

(e) Unsatisfied long-term construction contracts

The following table shows unsatisfied performance obligations resulting from long-term construction contracts.

	As at 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied as at year ended	476,091	373,857	548,142	758,063

Management expects that the transaction prices regarding the unsatisfied contracts at the end of year will be recognised as revenue by referencing to the schedule below:

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	342,496	284,494	440,373	468,135
Over 1 year	133,595	89,363	107,769	289,928
	476,091	373,857	548,142	758,063

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6 OTHER INCOME

	Year ended 31 March			
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Youth Employment and Training Programme (Note a)	85	187	278	591
Employment Support Scheme (Note b)	–	–	2,001	–
Construction Industry Council's Employment Support Scheme for the Construction Sector (Casual Employee) ("CIC grant") (Note c)	–	–	17,111	–
Others	–	21	238	1
	85	208	19,628	592
	85	208	19,628	592

Notes:

- (a) Amount represents wage subsidy granted under Youth Employment and Training Programme ("YETP"). Funds are granted to the Group for employing trainees under the YETP. The Group is entitled to HK\$1,500 salary allowance per month for each trainee employed.
- (b) Amount represents wage subsidy granted under Employment Support Scheme under the Anti-Epidemic Fund. Subsidies are offered to employers who have employed regular employees and paid MPF for them. Wage subsidies were granted to the Group for the use of paying wages and MPF of regular employees from June 2020 to November 2020.
- (c) Amount represents wage subsidy granted from Construction Industry Council's Employment Support Scheme for the Construction Sector (Casual Employee). Subsidies are offered to construction sector employers who have employed casual employee. Wage subsidies were granted to the Group for the use of paying wages and MPF of casual employees during the period from August 2020 to January 2021 with the condition that the Group have undertaken not to make their employees redundant in the same period of the subsidy and the Group spent the full amount of the subsidy on paying wages to their employees.

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7 EXPENSES BY NATURE

	Year ended 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Cost of materials and toolings	15,221	25,032	26,756	32,876
Subcontracting fees	372,257	412,340	333,557	332,920
Employee benefit expenses (including directors' remuneration) (Note 8)	30,699	28,629	28,790	32,583
Auditor's remuneration – audit services	83	472	110	220
Depreciation of plant and equipment (Note 14)	459	459	544	824
Depreciation of right-of-use assets (Note 15)	730	730	698	493
Gain on early termination of a lease (Note 15)	–	–	(2)	–
Loss on disposal on/written off of plant and equipment, net	–	–	12	–
Expense relating to short-term leases (Note 15)	583	970	1,558	2,364
Insurance	480	409	417	416
Repair and maintenance	787	270	322	372
Entertainment expenses	2,367	2,350	972	785
Consultation services	345	669	342	260
Legal and professional fees	49	2,050	312	1,192
Motor vehicles expenses	630	477	600	526
Provision for an onerous contract (Note a)	–	3,906	–	–
Provision for litigation cases (Note b)	–	611	–	–
Other expenses	3,948	1,820	2,656	5,000
Total cost of services and administrative expenses	428,638	481,194	397,644	410,831

Note:

- (a) The provision was made for an onerous contract for one project. The management evaluated the project and noted that the unavoidable cost of meeting the obligations have exceeded the economic benefits expected to be received. Consequently, a provision for onerous contract was recognised in profit or loss for the year ended 31 March 2020.
- (b) Amount represent provision for legal claim from one of the Group's ex-employees in relation to a workplace accident. The directors, after obtaining independent legal advice, consider that the Group has present obligation and is probable to cause an outflow of economic resources as at 31 March 2020, 2021 and 2022.

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8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS’ REMUNERATION)

	Year ended 31 March			
	2019 HK\$’000	2020 HK\$’000	2021 HK\$’000	2022 HK\$’000
Salaries, wages and bonuses	29,631	27,639	27,799	31,086
Pension costs – defined contribution plan	956	954	926	1,304
Other welfare and allowances	112	36	65	193
	<u>30,699</u>	<u>28,629</u>	<u>28,790</u>	<u>32,583</u>
Representing:				
Cost of services	23,267	22,270	21,301	24,858
Administrative expenses	7,432	6,359	7,489	7,725
	<u>30,699</u>	<u>28,629</u>	<u>28,790</u>	<u>32,583</u>

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors’ emoluments

The remuneration of each director paid/payable for each of the years ended 31 March 2019, 2020, 2021 and 2022 were set out below:

Name of directors	Fees HK\$’000	Salaries HK\$’000	Discretionary bonuses HK\$’000	Allowance and benefits in kind HK\$’000	Employer’s contribution to a retirement benefit scheme HK\$’000	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business HK\$’000	Total HK\$’000
For the year ended							
31 March 2019							
Executive director and chief executive officer:							
Mr. KS Chan	-	3,600	300	-	18	-	3,918
Executive director:							
Mr. WP Chan	-	540	45	-	18	-	603
Total	<u>-</u>	<u>4,140</u>	<u>345</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>4,521</u>

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Name of directors	Fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Allowance and benefits in kind <i>HK\$'000</i>	Employer’s contribution to a retirement benefit scheme <i>HK\$'000</i>	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended							
31 March 2020							
Executive director and chief executive officer:							
Mr. KS Chan	–	2,300	300	–	18	–	2,618
Executive director:							
Mr. WP Chan	–	714	47	–	18	–	779
Total	–	3,014	347	–	36	–	3,397
For the year ended							
31 March 2021							
Executive director and chief executive officer:							
Mr. KS Chan	–	2,400	200	–	18	–	2,618
Executive director:							
Mr. WP Chan	–	564	47	–	18	–	629
Total	–	2,964	247	–	36	–	3,247
For the year ended							
31 March 2022							
Executive director and chief executive officer:							
Mr. KS Chan	–	2,400	200	–	18	–	2,618
Executive director							
Mr. WP Chan	–	645	55	–	18	–	718
Total	–	3,045	255	–	36	–	3,336

The remunerations shown above represent remunerations received from the Operating Companies by these directors in their capacity as employees to Operating Companies and no directors waived any emoluments during each of the years ended 31 March 2019, 2020, 2021 and 2022.

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(b) Directors' termination benefits

No payment was made to the directors as compensation for the early termination of the appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of the directors for making available the services of them as a director of the Company or Operating Companies during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Other than those disclosed in Note 25, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or Operating Companies were a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the four years or at any time during the Track Record Period.

(f) Five highest paid individuals

For each of the years ended 31 March 2019, 2020, 2021 and 2022, the five individuals whose emoluments were the highest in the Group include the 2, 2, 2 and 2 directors, whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining 3, 3, 3 and 3 individuals, respectively, are as follows:

	Year ended 31 March			
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and bonuses	1,807	1,777	2,000	2,043
Pension costs – defined contribution plan	54	54	54	54
Other welfare and allowances	–	–	50	–
	<u>1,861</u>	<u>1,831</u>	<u>2,104</u>	<u>2,097</u>

The emoluments of above individuals are within the following bands:

	Year ended 31 March			
	2019	2020	2021	2022
Emoluments band				
Within HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

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10 FINANCE COSTS, NET

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income:				
– Interest income from bank deposits	40	127	34	1
Finance costs:				
– Interest expense on borrowings	(608)	(1,337)	(809)	(120)
– Interest expense on lease liabilities (Note 15)	(96)	(65)	(34)	(20)
	<u>(704)</u>	<u>(1,402)</u>	<u>(843)</u>	<u>(140)</u>
Finance costs, net	<u>(664)</u>	<u>(1,275)</u>	<u>(809)</u>	<u>(139)</u>

11 INCOME TAX EXPENSE

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	2,866	4,882	6,673	7,480
Deferred income tax (Note 16)	1	(19)	78	(2)
	<u>2,867</u>	<u>4,863</u>	<u>6,751</u>	<u>7,478</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and two subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Operating Companies are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one entity that is qualified under the two-tiered profits tax regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>18,557</u>	<u>30,673</u>	<u>52,790</u>	<u>38,772</u>
Tax calculated at domestic tax rates applicable to profits in Hong Kong	2,897	4,896	8,545	6,232
Tax effects of:				
Income not subject to tax	(14)	(34)	(3,239)	(98)
Expenses not deductible for tax purpose	24	41	1,485	1,291
Under-provision in prior year	–	–	–	73
Tax concession	(40)	(40)	(40)	(20)
	<u>2,867</u>	<u>4,863</u>	<u>6,751</u>	<u>7,478</u>

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12 EARNINGS PER SHARE

Basic earnings per shares is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2019, 2020, 2021 and 2022.

In determining the weighted average number of shares in issue during the years ended 31 March 2019, 2020, 2021 and 2022, 39,000,000 shares were deemed to have been issued on 1 April 2018 as if the Company has been incorporated by then.

	Year ended 31 March			
	2019	2020	2021	2022
Profit attributable to owners of the Company (HK\$'000)	15,690	25,810	46,039	31,294
Weighted average number of ordinary shares in issue	39,000,000	39,000,000	39,000,000	39,000,000
Basic and diluted earnings per share (in HK\$)	<u>0.40</u>	<u>0.66</u>	<u>1.18</u>	<u>0.81</u>

Diluted earnings per shares for the years ended 31 March 2019, 2020, 2021 and 2022 were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years.

13 DIVIDEND

No dividend has been paid or declared by the Company for the Track Record Period.

Dividends of HK\$6,000,000, HK\$1,250,000, nil, and nil were declared and paid by companies now comprising the Group to its then shareholders during the years ended 31 March 2019, 2020, 2021 and 2022, respectively.

14 PLANT AND EQUIPMENT

	Office equipment and furniture HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2018				
Cost	504	2,311	378	3,193
Accumulated depreciation	<u>(47)</u>	<u>(1,751)</u>	<u>(378)</u>	<u>(2,176)</u>
Net book amount	<u>457</u>	<u>560</u>	<u>–</u>	<u>1,017</u>
Year ended 31 March 2019				
Opening net book amount	457	560	–	1,017
Addition for the year	120	382	–	502
Depreciation charge (Note 7)	<u>(117)</u>	<u>(342)</u>	<u>–</u>	<u>(459)</u>
Closing net book amount	<u>460</u>	<u>600</u>	<u>–</u>	<u>1,060</u>

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	Office equipment and furniture <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2019				
Cost	624	2,693	1,483	4,800
Accumulated depreciation	(164)	(2,093)	(1,483)	(3,740)
Net book amount	<u>460</u>	<u>600</u>	<u>–</u>	<u>1,060</u>
Year ended 31 March 2020				
Opening net book amount	460	600	–	1,060
Addition for the year	44	288	–	332
Depreciation charge (<i>Note 7</i>)	(127)	(332)	–	(459)
Closing net book amounts	<u>377</u>	<u>556</u>	<u>–</u>	<u>933</u>
At 31 March 2020				
Cost	668	2,981	1,483	5,132
Accumulated depreciation	(291)	(2,425)	(1,483)	(4,199)
Net book amount	<u>377</u>	<u>556</u>	<u>–</u>	<u>933</u>
Year ended 31 March 2021				
Opening net book amount	377	556	–	933
Addition for the year	72	740	474	1,286
Disposal for the year	–	(17)	–	(17)
Depreciation charge (<i>Note 7</i>)	(135)	(370)	(39)	(544)
Closing net book amount	<u>314</u>	<u>909</u>	<u>435</u>	<u>1,658</u>
At 31 March 2021				
Cost	740	3,651	1,513	5,904
Accumulated depreciation	(426)	(2,742)	(1,078)	(4,246)
Net book amount	<u>314</u>	<u>909</u>	<u>435</u>	<u>1,658</u>
Year ended 31 March 2022				
Opening net book amount	314	909	435	1,658
Addition for the year	95	773	–	868
Depreciation charge (<i>Note 7</i>)	(140)	(542)	(142)	(824)
Closing net book amount	<u>269</u>	<u>1,140</u>	<u>293</u>	<u>1,702</u>
At 31 March 2022				
Cost	835	4,209	1,513	6,557
Accumulated depreciation	(566)	(3,069)	(1,220)	(4,855)
Net book amount	<u>269</u>	<u>1,140</u>	<u>293</u>	<u>1,702</u>

Note: During the year ended 31 March 2019, two motor vehicles with no net book value were transferred from "right-of-use assets" to "plant and equipment" as the Group purchased those leased motor vehicles from the lessor upon the end of lease period.

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Depreciation of the Group's plant and equipment are recognised as follows:

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of services	342	332	370	541
Administrative expenses	117	127	174	283
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation charge for the year	<u>459</u>	<u>459</u>	<u>544</u>	<u>824</u>

15 LEASES

(a) Right-of-use assets

	Motor vehicles <i>HK\$'000</i>	Leased premises <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018			
Cost	1,105	2,733	3,838
Accumulated depreciation	(1,105)	(213)	(1,318)
	<u> </u>	<u> </u>	<u> </u>
Net book amount	<u> </u>	<u>2,520</u>	<u>2,520</u>
Year ended 31 March 2019			
Opening net book amount	–	2,520	2,520
Depreciation charge (<i>Note 7</i>)	–	(730)	(730)
	<u> </u>	<u> </u>	<u> </u>
Closing net book amount	<u> </u>	<u>1,790</u>	<u>1,790</u>
At 31 March 2019			
Cost	–	2,733	2,733
Accumulated depreciation	–	(943)	(943)
	<u> </u>	<u> </u>	<u> </u>
Net book amount	<u> </u>	<u>1,790</u>	<u>1,790</u>
Year ended 31 March 2020			
Opening net book amount	–	1,790	1,790
Depreciation charge (<i>Note 7</i>)	–	(730)	(730)
	<u> </u>	<u> </u>	<u> </u>
Closing net book amount	<u> </u>	<u>1,060</u>	<u>1,060</u>
At 31 March 2020			
Cost	–	2,733	2,733
Accumulated depreciation	–	(1,673)	(1,673)
	<u> </u>	<u> </u>	<u> </u>
Net book amount	<u> </u>	<u>1,060</u>	<u>1,060</u>

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	Motor vehicles <i>HK\$'000</i>	Leased premises <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2021			
Opening net book amount	–	1,060	1,060
Depreciation charge (<i>Note 7</i>)	–	(698)	(698)
Disposal for the year	–	(34)	(34)
	<u>–</u>	<u>(698)</u>	<u>(698)</u>
Closing net book amount	<u>–</u>	<u>328</u>	<u>328</u>
At 31 March 2021			
Cost	–	2,535	2,535
Accumulated depreciation	–	(2,207)	(2,207)
	<u>–</u>	<u>(2,207)</u>	<u>(2,207)</u>
Net book amount	<u>–</u>	<u>328</u>	<u>328</u>
Year ended 31 March 2022			
Opening net book amount	–	328	328
Inception of lease contracts	–	985	985
Depreciation charge (<i>Note 7</i>)	–	(493)	(493)
	<u>–</u>	<u>(493)</u>	<u>(493)</u>
Closing net book amount	<u>–</u>	<u>820</u>	<u>820</u>
At 31 March 2022			
Cost	–	985	985
Accumulated depreciation	–	(165)	(165)
	<u>–</u>	<u>(165)</u>	<u>(165)</u>
Net book amount	<u>–</u>	<u>820</u>	<u>820</u>

The right-of-use assets represent the Group’s rights to use underlying motor vehicles and leased premises under lease arrangements over the lease terms from 3 to 4 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

Upon the end of lease period during the year ended 31 March 2019, the Group purchased two leased motor vehicles from the lessor and the motor vehicles were transferred to “plant and equipment”.

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(b) Lease liabilities

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current portion	706	760	385	510
Non-current portion	1,154	394	–	353
	<u>1,860</u>	<u>1,154</u>	<u>385</u>	<u>863</u>

The interest rate of each lease contracts is fixed at its contract date, and the interest rate of all the lease liabilities was 4.3% per annum as at 31 March 2019, 2020, 2021 and 2022.

The total cash outflows for leases including payments of short-term leases, lease liabilities and payments of interest expenses on leases for the years ended 31 March 2019, 2020, 2021 and 2022 were approximately HK\$1,391,000, HK\$1,741,000, HK\$2,325,000 and HK\$2,891,000, respectively.

(c) Amount recognised in the consolidated statements of comprehensive income

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation of right-of-use assets as included in:				
– Cost of services	237	237	205	–
– Administrative expenses	493	493	493	493
	<u>730</u>	<u>730</u>	<u>698</u>	<u>493</u>
Interest expenses on lease liabilities for the year (<i>Note 10</i>)	<u>96</u>	<u>65</u>	<u>34</u>	<u>20</u>
Gain on early termination of a lease	–	–	(2)	–
Expenses relating to short-term leases (included in cost of services) (<i>Note 7</i>)	<u>583</u>	<u>970</u>	<u>1,558</u>	<u>2,364</u>

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16 DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred income tax liabilities, net	117	98	176	174

The movements in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2019	116
Charged to the consolidated statements of comprehensive income	1
At 31 March 2019	117
At 1 April 2020	117
Credited to the consolidated statements of comprehensive income	(19)
At 31 March 2020	98
At 1 April 2021	98
Charged to the consolidated statements of comprehensive income	78
At 31 March 2021	176
At 1 April 2022	176
Credited to the consolidated statements of comprehensive income	(2)
At 31 March 2022	174

As at 31 March 2019, 2020, 2021 and 2022, there is no significant unrecognised deferred tax for the Group.

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17 FINANCIAL INSTRUMENTS BY CATEGORY

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets as per consolidated statements of financial position				
Financial assets measured at amortised cost				
– Trade receivables (<i>Note 18</i>)	39,002	52,398	35,915	27,183
– Other receivables and deposits (excluding prepayments) (<i>Note 18</i>)	2,567	3,217	4,172	4,368
– Amount due from immediate holding company (<i>Note 25(d)</i>)	–	–	431	437
– Pledged short-term bank deposits (<i>Note 20</i>)	5,040	5,140	5,174	–
– Cash and cash equivalents (<i>Note 20</i>)	27,249	6,818	18,697	27,546
Total	73,858	67,573	64,389	59,534
Liabilities as per consolidated statements of financial position				
Financial liabilities measured at amortised cost				
– Trade payables (<i>Note 22</i>)	26,592	16,858	25,183	28,707
– Accruals and other payables (excluding non-financial liabilities) (<i>Note 22</i>)	16,924	12,432	17,763	11,943
– Amount due to a director (<i>Note 25(e)</i>)	27,870	22,956	15,341	10,741
– Bank borrowings (<i>Note 23</i>)	30,228	37,125	2,628	–
– Lease liabilities (<i>Note 15(b)</i>)	1,860	1,154	385	863
Total	103,474	90,525	61,300	52,254

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18 TRADE AND OTHER RECEIVABLES

(a) Trade receivables

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	39,140	52,593	36,139	27,349
Less: provision for impairment	(138)	(195)	(224)	(166)
	<u>39,002</u>	<u>52,398</u>	<u>35,915</u>	<u>27,183</u>

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	32,792	42,585	33,142	21,788
31–60 days	6,314	10,008	2,512	3,757
Over 60 days	34	–	485	1,804
	<u>39,140</u>	<u>52,593</u>	<u>36,139</u>	<u>27,349</u>

The credit terms provided to customers range from 14 days to 60 days. The Group's trade receivables are denominated in HK\$.

(b) Other receivables, deposits and prepayments

The Group

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments for wet trades works	1,030	826	260	62
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other prepayments	293	327	312	334
Other receivables (<i>Note</i>)	887	2,951	2,547	2,738
Deposits	1,680	266	1,625	1,630
	<u>3,890</u>	<u>4,370</u>	<u>7,741</u>	<u>11,212</u>
Less: Non-current deposits	(217)	(187)	–	(173)
	<u>3,673</u>	<u>4,183</u>	<u>7,741</u>	<u>11,039</u>

Note: The balance mainly represented advance payment paid out by our Group in relation to the claims from work accidents which is expected to be recovered by our Group from the main contractors under the relevant insurance policy and arrangements with the main contractors as well as industry practice.

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The Group’s other receivables and deposits are denominated in HK\$. None of the other receivables and deposits was impaired.

The carrying amounts of trade and other receivables approximate to their fair values. The maximum exposure to credit risk at the end of each reporting period is carrying amount of each class of trade and other receivables mentioned above.

The Company

	As at 31 March 2021 <i>HK\$’000</i>	As at 31 March 2022 <i>HK\$’000</i>
Prepayments for [REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

Included in contract assets/(liabilities) are the following:

	2019 <i>HK\$’000</i>	As at 31 March		2022 <i>HK\$’000</i>
		2020 <i>HK\$’000</i>	2021 <i>HK\$’000</i>	
Contract assets				
Unbilled revenue	33,208	56,594	67,791	72,802
Retention receivables for wet trades works (<i>Note c</i>)	43,914	46,204	50,030	57,684
	<u>77,122</u>	<u>102,798</u>	<u>117,821</u>	<u>130,486</u>
Total contract assets	77,122	102,798	117,821	130,486
Less: provision for impairment	(166)	(329)	(516)	(214)
	<u>76,956</u>	<u>102,469</u>	<u>117,305</u>	<u>130,272</u>
Contract assets, net	<u>76,956</u>	<u>102,469</u>	<u>117,305</u>	<u>130,272</u>
Contract liabilities	<u>(17,977)</u>	<u>(15,861)</u>	<u>(1,804)</u>	<u>(887)</u>

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Notes:

- (a) The Group classifies these contract assets and liabilities as current because the Group expects to realise them in its normal operating cycle.
- (b) The settlement analysis of unbilled revenue and contract liabilities based on project cycle was as follows:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unbilled revenue:				
To be recovered within twelve months	33,208	56,594	67,791	72,802
Contract liabilities:				
To be recognised within twelve months	(17,566)	(14,298)	(1,804)	(887)
To be recognised more than twelve months after the end of the year	(411)	(1,563)	–	–
	<u>(17,977)</u>	<u>(15,861)</u>	<u>(1,804)</u>	<u>(887)</u>

- (c) Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables were classified as current assets based on its normal operating cycle. The settlement analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
To be recovered within twelve months	19,848	13,739	21,433	30,913
To be recovered more than twelve months after the end of the year	24,066	32,465	28,597	26,771
	<u>43,914</u>	<u>46,204</u>	<u>50,030</u>	<u>57,684</u>

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Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for construction contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Please refer to Note 3.1(a)(ii) for the impairment of assets.

Contract liabilities for the construction contracts decreased due to the reduction in receipt in advance on overall contract activities.

20 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM BANK DEPOSITS

	As at 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash and bank balances	27,249	6,818	18,697	27,546
Pledged short-term bank deposits (<i>Note</i>)	5,040	5,140	5,174	–
	<u>32,289</u>	<u>11,958</u>	<u>23,871</u>	<u>27,546</u>
Maximum exposure to credit risk	<u>32,279</u>	<u>11,948</u>	<u>23,835</u>	<u>27,522</u>

Note: Pledged short-term bank deposits are funds which are pledged as security for the banking facilities of the Group. Interest rates of pledged short-term bank deposits are approximately 1.52%, 1.27%, 0.10% and 0.11% respectively per annum for each year.

All cash and cash equivalents and pledged short-term bank deposits are denominated in HK\$.

The above figures reconcile to the amount of cash shown in the consolidated statements of cash flows at the end of each year as follows:

	As at 31 March			
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash and bank balances as above	27,249	6,818	18,697	27,546
Bank overdrafts (<i>Note 23</i>)	(3,699)	(16,125)	(2,628)	–
Balances per consolidated statements of cash flows	<u>23,550</u>	<u>(9,307)</u>	<u>16,069</u>	<u>27,546</u>

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21 SHARE CAPITAL, CAPITAL RESERVE AND RESERVES

(a) Share capital

	Number of ordinary shares	Equivalent nominal value of ordinary share <i>HK\$’000</i>
Authorised:		
50,000 shares of US\$1 each on 28 April 2020 (<i>Note i</i>)	50,000	390
Cancellation of shares (<i>Note ii</i>)	(50,000)	(390)
50,000,000 shares of HK\$0.01 each on 24 September 2020 (<i>Note iii</i>)	50,000,000	500
	<u>50,000,000</u>	<u>500</u>
Balance at 31 March 2021 and 2022	<u>50,000,000</u>	<u>500</u>
Issued:		
upon incorporation on 28 April 2020 (<i>Note i</i>)	50,000	389
Cancellation of shares (<i>Note ii</i>)	(50,000)	(389)
Issuance of shares pursuant to the Reorganisation (<i>Note 1.2</i>)	39,000,000	390
	<u>39,000,000</u>	<u>390</u>
Balance at 31 March 2021 and 31 March 2022	<u>39,000,000</u>	<u>390</u>

Notes:

- (i) On 28 April 2020, being the date of incorporation of the Company, the Company had an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 per share on the same date, the Company issued 50,000 shares of at US\$1 each.
- (ii) On 24 September 2020, the Company repurchased the USD-denominated shares at a consideration of US\$50,000 and the USD-denominated shares were cancelled upon repurchase. Immediately following such repurchase, the Company cancelled the 50,000 authorised but unissued shares with a par value of US\$1 each in the share capital of the Company of HK\$0.01 each.
- (iii) On 24 September 2020, the authorised share capital of the Company was changed to HK\$500,000 by the creation of 50,000,000 new shares of HK\$0.01 each.

(b) Capital reserve

The capital reserve of the Group represented combined share capital of the companies now comprising the Group upon the completion of the Reorganisation (*Note 1.2*).

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(c) **Reserves movement of the Company**

The reserves movement of the Company is as follows:

	Capital reserve <i>HK\$’000</i> <i>(Note)</i>	Accumulated losses <i>HK\$’000</i>	Total <i>HK\$’000</i>
Balance as at 28 April 2020 (date of incorporation)	–	–	–
Comprehensive loss			
Loss for the period	–	(8,538)	(8,538)
Total comprehensive loss	–	(8,538)	(8,538)
Transaction with owners in their capacity as owners			
Effect of Reorganisation (<i>Note 1.2</i>)	101,592	–	101,592
Total transaction with owners in their capacity as owners	101,592	–	101,592
Balance at 31 March 2021	<u>101,592</u>	<u>(8,538)</u>	<u>93,054</u>
Comprehensive loss			
Loss for the year	–	(7,644)	(7,644)
Total comprehensive loss	–	(7,644)	(7,644)
Balance at 31 March 2022	<u>101,592</u>	<u>(16,182)</u>	<u>85,410</u>

Note: Capital reserve of the Company represents the net asset value of the subsidiaries acquired during the Reorganisation.

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22 TRADE AND OTHER PAYABLES

The Group

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	26,592	16,858	25,183	28,707
Accruals and other payables				
– Accruals for subcontractors' labour cost	16,499	11,704	13,920	6,976
– Accrued staff cost	2,683	1,980	1,872	2,378
– Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Provision for a litigation case	–	611	611	335
– Provision for an onerous contract (Note 7a)	–	3,906	–	–
– Other accruals and payables (Note)	425	728	1,723	115
	<u>19,607</u>	<u>18,929</u>	<u>21,207</u>	<u>14,656</u>
	<u>46,199</u>	<u>35,787</u>	<u>46,390</u>	<u>43,363</u>

Note: As at 31 March 2021, included in this balance was a provision of approximately HK\$961,000 in connection with the CIC grant. After the receipt of the grant, it was noted that the Group did not employ the specified number of casual employees as originally committed. As such, an amount of HK\$961,000 is required to be returned to the grantor. During the year ended 31 March 2022, such amount has been returned to CIC.

The trade and other payables are denominated in HK\$ and the carrying amounts approximate their fair values.

As at 31 March 2019, 2020, 2021 and 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	26,582	16,721	25,183	28,707
31–60 days	10	131	–	–
61–90 days	–	6	–	–
	<u>26,592</u>	<u>16,858</u>	<u>25,183</u>	<u>28,707</u>

The Company

	As at 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals for [REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The accruals are denominated in HK\$ and the carrying amounts approximate their fair values.

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23 BANK BORROWINGS

	As at 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Current, secured				
– Bank overdrafts (<i>Note b</i>)	3,699	16,125	2,628	–
– Other bank loans (<i>Notes a and b</i>)	26,529	21,000	–	–
	<u>30,228</u>	<u>37,125</u>	<u>2,628</u>	<u>–</u>

The bank overdrafts and other bank loans are denominated in HK\$ and bear interest at floating rates that are market dependent.

- (a) The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	As at 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Bank borrowings repayable:				
Within one year	<u>26,529</u>	<u>21,000</u>	<u>–</u>	<u>–</u>

During the years ended 31 March 2019, 2020, 2021 and 2022, the Group has drawn down bank borrowings of approximately HK\$64,200,000, HK\$75,000,000, HK\$42,000,000 and nil, respectively. It also repaid bank borrowings of approximately HK\$37,671,000, HK\$80,529,000, HK\$63,000,000 and nil, respectively.

The carrying amounts of the bank borrowings approximate their fair values. The weighted average interest rates are 4.0%, 4.1%, 4.0% and nil per annum as at 31 March 2019, 2020, 2021 and 2022, respectively.

- (b) All of the Group’s banking facilities are guaranteed personally by Mr KS Chan. Further, (i) certain revolving loan and installment loan facilities are additionally secured by the Group’s pledged short-term bank deposit; (ii) certain SME revolving loan facility is additionally guaranteed by Hong Kong Mortgage Corporation Limited and HKMC Insurance Limited; and (iii) certain overdraft facility is additionally secured by a property owned by Mr KS Chan.

[All other security and guarantee above are expected to be released upon the [REDACTED].]

The Group has the following undrawn bank facilities consisting of bank overdrafts and revolving loan:

	As at 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Floating rate	<u>301</u>	<u>2,875</u>	<u>37,372</u>	<u>19,000</u>

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24 CASH FLOWS INFORMATION

(a) Cash (used in)/generated from operations:

	Year ended 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Profit before income tax expense	18,557	30,673	52,790	38,772
Adjustments for:				
Depreciation of plant and equipment	459	459	544	824
Depreciation of right-of-use assets	730	730	698	493
Finance income	(40)	(127)	(34)	(1)
Finance costs	704	1,402	843	140
Provision for a litigation case	–	611	–	–
Provision for an onerous contract	–	3,906	–	–
Gain on early termination of a lease	–	–	(2)	–
Loss on disposal on/written off of plant and equipment, net	–	–	12	–
Impairment losses/ (reversal of impairment losses) on trade receivables and contract assets	146	220	216	(360)
Operating profit before changes in working capital	20,556	37,874	55,067	39,868
Changes in working capital:				
Increase in contract assets	(27,939)	(25,676)	(15,023)	(12,665)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(25,764)	(13,933)	15,776	9,326
Increase/(decrease) in trade payables, accruals and other payables	24,487	(14,929)	9,909	(5,104)
Decrease in contract liabilities	(16,708)	(2,116)	(14,057)	(917)
Net cash (used in)/ generated from operations	<u>(25,368)</u>	<u>(18,780)</u>	<u>51,672</u>	<u>30,508</u>

(b) In the consolidated statements of cash flows, proceeds from disposals of plant and equipment comprise:

	Year ended 31 March			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Net book amount (Notes 14)	–	–	17	–
Loss on disposal of plant and equipment, net	–	–	(12)	–
Proceeds from disposal of plant and equipment	<u>–</u>	<u>–</u>	<u>5</u>	<u>–</u>

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(c) Cash flow information – financing activities

The movements of liabilities from financing activities for each of the years ended 31 March 2019, 2020, 2021 and 2022:

	Other assets			Liabilities from financing activities					
	Cash and equivalents/ (bank overdrafts) HK\$'000	Pledged short-term bank deposit HK\$'000	Total HK\$'000	Dividend payables HK\$'000	Borrowings-excluding bank overdrafts HK\$'000	Lease liabilities HK\$'000	Amount due to a director HK\$'000	Accruals for [REDACTED] expenses HK\$'000	Total HK\$'000
As at 1 April 2018	65,052	-	65,052	-	-	2,572	33,840	-	36,412
Increase in pledged short-term bank deposit	-	5,000	5,000	-	-	-	-	-	-
Cash flows	(41,502)	40	(41,462)	(6,000)	-	(808)	-	-	(6,808)
Repayment to a director	-	-	-	-	-	-	(5,970)	-	(5,970)
Drawdown of bank borrowings	-	-	-	-	64,200	-	-	-	64,200
Repayment of bank borrowings	-	-	-	-	(37,671)	-	-	-	(37,671)
Non-cash movements:									
Interest expenses	-	-	-	-	-	96	-	-	96
Declaration of dividend	-	-	-	6,000	-	-	-	-	6,000
As at 31 March 2019	23,550	5,040	28,590	-	26,529	1,860	27,870	-	56,259
Cash flows	(32,857)	100	(32,757)	(1,250)	-	(771)	-	-	(2,021)
Repayment to a director	-	-	-	-	-	-	(4,914)	-	(4,914)
Drawdown of bank borrowings	-	-	-	-	75,000	-	-	-	75,000
Repayment of bank borrowings	-	-	-	-	(80,529)	-	-	-	(80,529)
Non-cash movements:									
Interest expenses	-	-	-	-	-	65	-	-	65
Declaration of dividend	-	-	-	1,250	-	-	-	-	1,250
As at 31 March 2020	(9,307)	5,140	(4,167)	-	21,000	1,154	22,956	-	45,110
Cash flows	25,376	34	25,410	-	-	(767)	-	[REDACTED]	(2,766)
Repayment to a director	-	-	-	-	-	-	(7,980)	-	(7,980)
Advance from a director	-	-	-	-	-	-	365	-	365
Drawdown of bank borrowings	-	-	-	-	42,000	-	-	-	42,000
Repayment of bank borrowings	-	-	-	-	(63,000)	-	-	-	(63,000)
Non-cash movements:									
Interest expenses	-	-	-	-	-	34	-	-	34
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Early termination of a lease	-	-	-	-	-	(36)	-	-	(36)
As at 31 March 2021	16,069	5,174	21,243	-	-	385	15,341	[REDACTED]	18,807
As at 1 April 2021	16,069	5,174	21,243	-	-	385	15,341	[REDACTED]	18,807
Cash flows	11,477	(5,174)	6,303	-	-	(527)	-	[REDACTED]	(2,457)
Repayment to a director	-	-	-	-	-	-	(4,600)	-	(4,600)
Non-cash movements:									
Inception of lease contracts	-	-	-	-	-	985	-	-	985
Interest expenses	-	-	-	-	-	20	-	-	20
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
As at 31 March 2022	27,546	-	27,546	-	-	863	10,741	[REDACTED]	16,456

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25 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Mr. KS Chan	Controlling shareholder, director of the Operating Companies and Chairman
Mr. WP Chan	Controlling shareholder and director of the Operating Companies
Ms. Tsang Chiu Ching ("Ms. Tsang")	Spouse of Mr. KS Chan
Mr. Chan Siu Wai ("Mr. SW Chan")	Son of Mr. KS Chan & Ms. Tsang
Ms. Chan Chui Ying	Daughter of Mr. KS Chan & Ms. Tsang
Mr. Chan Chun Wai	Son of Mr. WP Chan

- (b) The following transactions were carried out with related parties:

Saved as disclosed in Note 9 of this report during the Track Record Period, the following transactions were carried out with related parties:

	Year ended 31 March			
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and pension costs paid to:				
Mr. SW Chan	157	–	–	–
Ms. Chan Chui Ying	496	532	567	546
Mr. Chan Chun Wai	339	430	467	476
Rental paid in relation to rental contract entered into with:				
Ms. Tsang and Mr. SW Chan	<u>216</u>	<u>213</u>	<u>168</u>	<u>–</u>

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

- (c) **Key management compensation**

Key management includes the directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 9.

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(d) Amount due from immediate holding company

The Group

Particulars of amount due from immediate holding company are as follows:

	<i>HK\$'000</i>
Balance at 31 March 2021	431
Balance at 31 March 2022	437

The Company

Particulars of amount due from immediate holding company are as follows:

	<i>HK\$'000</i>
Balance at 31 March 2021	390
Balance at 31 March 2022	390

As at 31 March 2021 and 2022, non-trade receivables balances from immediate holding company were unsecured, interest-free and repayable on demand and approximate their fair values.

The balance with immediate holding company is denominated in HK\$.

[The balances will be settled before [REDACTED].]

(e) Amount due to a director

As at 31 March 2019, 2020, 2021 and 2022, non-trade payables balances to a director of the Group were unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with a director are denominated in HK\$ and the balances will be settled or capitalised before [REDACTED].

(f) Amount due to a subsidiary

As at 31 March 2021 and 2022, non-trade payables balance to a subsidiary of the Company was unsecured, interest-free and repayable on demand and approximate its fair value. The balance with a subsidiary is denominated in HK\$.

26 CONTINGENT LIABILITY

As at 31 March 2021, the Group had a contingent liability in relation to a fatal accident occurred in December 2019 whereby a subcontractor's worker sustained fatal injury during the course of work. Based on the development of the litigation and independent legal advice obtained, management of the Group considered it was premature to conclude on whether the Group is probable to be liable, and therefore a contingent liability existed. In November 2021, the Group received a certificate of trial from the relevant court whereby the related summons were dismissed because the court considered the prosecution offered no evidence. As a result, such contingent liability ceases to exist.

During the year ended 31 March 2022, the legal case was dismissed as prosecution offers no evidence, and therefore the contingent liability released.

27 EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 March 2022 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant’s Report prepared by [PricewaterhouseCoopers], Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled “Financial Information” in this document and the “Accountant’s Report” set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 March 2022 as if the [REDACTED] had taken place on 31 March 2022.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2022 or at any future dates following the [REDACTED].

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2022 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated [REDACTED] from the [REDACTED] <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 31 March 2022 <i>HK\$’000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 31 March 2022 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2022 of approximately HK\$142.5 million as the Group has no intangible asset as at 31 March 2022.
- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, being low and high end of the indicative [REDACTED] range, after deduction of the [REDACTED] fees and other related expenses (excluding approximately HK\$16.2 million which have been recognised in the consolidated statement of comprehensive income during the Track Record Period).
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] has been completed on 31 March 2022 but takes no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the [REDACTED], or any Shares which may be allotted or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed “Share capital”.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 April 2020 under the Companies Act. Our Company's constitutional documents consist of our Amended and Restated Memorandum of Association ("**Memorandum**") and our Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [DATE]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting,

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by our duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may, by an ordinary resolution of our members: (a) increase our share capital by the creation of new shares of such amount as we think expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of our share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as our Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or our nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

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Our Board may, in our absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in our absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

Our Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of our Company to purchase our own shares

Our Company may purchase our own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

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AND CAYMAN ISLANDS COMPANY LAW**

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in our discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by our Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

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A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and our Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of our Board for six consecutive months, and our Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one or more of our body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of our powers to committees consisting of such Director(s) or other person(s) as our Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

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(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in our absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of our subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our

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Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as our Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on our own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and

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the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of our subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

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(ix) Disclosure of interest in contracts with our Company or any of our subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as we think fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of our subsidiaries;

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- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of our subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of our Company or any of our subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of our Board

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate our meetings as we think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

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(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by our duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by our duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or our nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands

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is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or our nominee(s) be a member of our Company, such person or persons may be authorised as we think fit to act as our representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or our nominee(s) as if such person were an individual member including the right to vote individually on a show of hands and the right to speak.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting each financial year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by our Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary of

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our Company for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of our Board shall be reimbursed to the requisitioner(s) by our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

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(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by our duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by our duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) Right to speak

A member is able to exercise the right to speak at a general meeting when the member is in a position to communicate to all those attending the meeting, during the

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meeting, any information or opinions that the person has on the business of the meeting. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak.

(e) Accounts and audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at our annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditor's report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with our Board. The auditors' remuneration shall be fixed by our Company in general meeting by ordinary resolution or by a body independent of our Board if authority is so delegated by the members.

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The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied

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wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as our Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if

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our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

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(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 28 April 2020 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct our operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of our authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

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- (iii) any manner provided in section 37 of the Companies Act;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of a company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a

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company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

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(j) Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to our Company or our operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for our Company is for a period of 20 years from 4 May 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

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(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, our Company is required to maintain at our registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

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As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the

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expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents available on Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 28 April 2020.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 November 2020 and our principal place of business in Hong Kong is Unit 909, 9th Floor, Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong. In connection with such registration, our Company has appointed Mr. KS Chan and Mr. Choi Wan Sang Vincent of Unit 909, 9th Floor, Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong as our authorised representatives for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Act and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Act and certain provisions of the Articles is set out in Appendix III to this document.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each. Upon incorporation, one subscriber share in our Company with a par value of US\$1 was allotted and issued as fully paid to a nominee subscriber. On the same date, the said one subscriber share with a par value of US\$1 was transferred to Evolve Billion for a consideration of US\$1. Upon completion of the above transfer and share issue, Evolve Billion became the sole Shareholder of our Company.
- (b) Upon completion of the above transaction, on the same date, our Company further allotted and issued 49,999 shares with a par value of US\$1 each as fully paid to Evolve Billion. Evolve Billion then held 50,000 shares with a par value of US\$1 each (the “**USD-denominated Shares**”), representing the entire issued share capital of our Company.
- (c) On 24 September 2020, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each to the aggregate of (i) US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each and (ii) HK\$500,000 by the creation of 50,000,000 new Shares with a par value of HK\$0.01 each. Our Company allotted and issued 39,000,000 new Shares with a par value of HK\$0.01 each as fully paid to Evolve Billion. At the same time, our Company repurchased the

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USD-denominated Shares at a consideration of US\$50,000 and the USD-denominated Shares were cancelled upon repurchase. Immediately following such purchase, our Company cancelled the 50,000 authorised but unissued shares of a par value of US\$1 each in the share capital of our Company.

- (d) On [•], the authorised share capital of our Company was increased from HK\$500,000 divided into 50,000,000 Shares with a par value of HK\$0.01 each to HK\$[100,000,000] divided into [10,000,000,000] Shares with a par value of HK\$0.01 each by the creation of additional [9,950,000,000] Shares with a par value of HK\$0.01 each, all of which shall rank equally in all respects with the existing Shares in issue.

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$[100,000,000] divided into [10,000,000,000] Shares with a par value of HK\$0.01 each, of which [REDACTED] Shares with a par value of HK\$0.01 each will be allotted and issued fully paid or credited as fully paid and [REDACTED] Shares with a par value of HK\$0.01 each will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “A. Further information about our Group – 5. Written resolutions of our sole Shareholder passed on [•]” and “A. Further information about our Group – 6. Repurchase of our Shares” under this appendix, the exercise of the [REDACTED] or the options that may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the paragraph headed “History, development and Reorganisation – Reorganisation” in this document, there has been no alteration in our Company’s share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the [REDACTED]. Further details are set out in the paragraph headed “History, development and Reorganisation – Reorganisation” in this document.

4. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountant’s Report.

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Save as disclosed in the paragraph headed "History, development and Reorganisation – Reorganisation" in this document, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

5. Written resolutions of our sole Shareholder passed on [•]

Written resolutions of our sole Shareholder were passed on [•] approving, amongst others, the following:

- (a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association of our Company;
- (b) the authorised share capital of our Company was increased from HK\$500,000 divided into 50,000,000 Shares of HK\$0.01 each to HK\$[100,000,000] divided into [10,000,000,000] Shares of HK\$0.01 each by the creation of additional [9,950,000,000] Shares of HK\$0.01, all of which shall rank equally in all respects with the existing Shares in issue; and
- (c) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and conditions of the [REDACTED]" in this document:
 - (i) the [REDACTED] and the grant of the [REDACTED] by our Company were approved and our Directors were authorised to (aa) allot and issue the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] on and subject to the terms and conditions stated in this document and the [REDACTED]; (bb) implement the [REDACTED] and the [REDACTED]; and (cc) do all things and execute all documents in connection with or incidental to the [REDACTED] and the [REDACTED] with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional upon the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise the amount of HK\$[REDACTED] from the amount standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of [REDACTED] Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on even date, or as each of them may direct in writing, in proportion (or as near as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares in issue;

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- (iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require the Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or pursuant to, or in consequence of, the [REDACTED], the [REDACTED], the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme, Shares in aggregate not exceeding (1) 20% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised) and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and (2) the total number of Shares in issue which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of the next

annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first; and

- (vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase the Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on [•], conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and conditions of the [REDACTED]" in this document, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and

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without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). The Repurchase Mandate will remain effective until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules, the Companies Act and the applicable laws of Hong Kong. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company, out of our Company's share premium account before or at the time the Shares are repurchased, or, subject to the Companies Act, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

Further, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding days on which its shares were traded on the Stock Exchange.

In addition, the Listing Rules prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Act, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter-year or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day.

In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his, her or its securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Share to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

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If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Save as disclosed in the paragraph headed "History, development and Reorganisation – Reorganisation – Incorporation of our Company and redenomination of the authorised and issued share capital of our Company from US\$1 to HK\$0.01", our Company has not made any repurchase (whether on the Stock Exchange or otherwise) of its own securities since its incorporation.

No core connected person of our Company has notified us that he/she/it has a present intention to sell our Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material:

- (a) a reorganisation agreement dated 17 November 2020 entered into among Mr. KS Chan, Mr. WP Chan, Wai Wai Prestige, Ying Ying and our Company, pursuant to which:
 - (i) Wai Wai Prestige acquired eight ordinary shares and two ordinary shares in Chan Kiu from Mr. KS Chan and Mr. WP Chan, respectively, representing 80% and 20% of the entire issued share capital of Chan Kiu, respectively. In consideration of the acquisition, Wai Wai Prestige allotted and issued 900 shares of US\$1 each in Wai Wai Prestige, credited as fully paid, to our Company at the direction of Mr. KS Chan and Mr. WP Chan;

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(ii) Ying Ying acquired eight ordinary shares and two ordinary shares in Ying Wai from Mr. KS Chan and Mr. WP Chan, respectively, representing 80% and 20% of the entire issued share capital of Ying Wai, respectively. In consideration of the acquisition, Ying Ying allotted and issued 900 shares of US\$1 each in Ying Ying, credited as fully paid, to our Company at the direction of Mr. KS Chan and Mr. WP Chan;

- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the [REDACTED].

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark in Hong Kong which is, in the opinion of our Directors, material to our Group's business:

Trademark	Registered owner	Class	Trademark number	Registration date	Expiry date
	Chan Kiu	37	305409577	5 October 2020	4 October 2030

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is, in the opinion of our Directors, material to our Group's business:

Domain name	Registered owner	Registration date	Expiry date
chankiu.hk	Chan Kiu	23 November 2020	23 November 2024

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations after completion of the [REDACTED] and the [REDACTED]*

Immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) *Interests in our Company*

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of shareholding
Mr. KS Chan	Interest in a controlled corporation/interest held jointly with others <i>(Notes 2 and 3)</i>	[REDACTED] (L)	[REDACTED]
Mr. WP Chan	Interest held jointly with others <i>(Note 3)</i>	[REDACTED] (L)	[REDACTED]

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Notes:

1. The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to [REDACTED] by Evolve Billion immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme). Evolve Billion is owned as to 80% by Mr. KS Chan. By virtue of the SFO, Mr. KS Chan is deemed to be interested in the same number of Shares held by Evolve Billion.
3. Mr. KS Chan and Mr. WP Chan are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Acting in Concert Undertaking. As such, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), Mr. KS Chan and Mr. WP Chan will together control [REDACTED] of the entire issued share capital of our Company.

(ii) Interests in the associated corporation of our Company

Name of Director/ chief executive	Capacity/ Nature of interest	Name of associated corporation	Number of shares in the associated corporation <i>(Note)</i>	Percentage of shareholding in the associated corporation
Mr. KS Chan	Beneficial owner	Evolve Billion	80 (L)	80%
Mr. WP Chan	Beneficial owner	Evolve Billion	20 (L)	20%

Note: The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in such shares.

(b) Interests and/or short positions of the Substantial Shareholders under the SFO

Please refer to the section headed “Substantial Shareholders” in this document for details of the persons (other than a Director or a chief executive of our Company)/corporations who/which will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

Our Directors are not aware of any person who will immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in our Shares or, having such a notifiable interest, have any short position (within the meaning of the SFO) in our Shares, other than those as disclosed above.

2. Particulars of Directors' service agreements and appointment letters

(a) Executive Directors

Each of our executive Directors [has entered] into a service agreement with our Company for an initial fixed term of three years commencing from the [REDACTED]. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term.

(b) Independent non-executive Directors

Each of our independent non-executive Directors [has entered] into an appointment letter with our Company for an initial fixed term of one year commencing from the [REDACTED]. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month's written notice of non-renewal before the expiry of the then existing term.

Save as disclosed in this document, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$4.5 million, HK\$3.4 million, HK\$3.2 million and HK\$3.3 million, respectively.

For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the aggregate of contributions to pension schemes for our Directors were HK\$36,000, HK\$36,000, HK\$36,000 and HK\$36,000, respectively.

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For FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately HK\$0.3 million, HK\$0.3 million, HK\$0.2 million and HK\$0.3 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (including our independent non-executive Directors) for FY2022/23 will be approximately HK\$[3.6] million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22, (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22.

Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Company to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. KS Chan	2,760,000
Mr. WP Chan	846,000
Independent non-executive Directors	
Dr. Huang Hong	180,000
Mr. Yu Chi Wing	180,000
Dr. Lo Ki Chiu	180,000

Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Company from time to time or for providing services to our Company or executing their functions in relation to our Company's business and operations.

Save as disclosed in this document, no other emoluments have been paid or are payable in respect of each of FY2018/19, FY2019/20, FY2020/21 and FY2021/22 by our Company to our Directors.

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4. Related party transactions

Details of the related party transactions are set out under note 25 to the Accountant's Report.

5. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of the associated corporation (within the meaning of Part XV of the SFO), immediately after the completion of the [REDACTED] and the [REDACTED], without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are [REDACTED];
- (b) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme) have an interest or short position in our Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of our Group;
- (c) none of our Directors or the experts under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

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- (d) none of our Directors nor the experts named under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;
- (e) none of the experts named under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder who are interested in more than 5% of the share capital has any interests in the top five customers or the top five suppliers of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"). As at the Latest Practicable Date, there was no "Invested Entity" other than members of our Group, and our Group had not identified any potential "Invested Entity" for investment.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

- (i) any employee (whether full time or part time, including our Directors (including any independent non-executive Director)) of our Company, any of its subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an "**eligible employee**");
- (ii) any supplier of goods or services to any member of our Group or any Invested Entity;

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- (iii) any customer of any member of our Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (v) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (vii) any other group or class of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participant's contribution to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Company shall not exceed 30% of the share capital of our Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Company) to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10% of the total number of Shares (assuming the

[REDACTED] and the options granted under the Share Option Scheme are not exercised) in issue at the time [REDACTED] first commence on the Stock Exchange, being [REDACTED] Shares (the “**General Scheme Limit**”).

- (iii) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iv) below, our Company may seek approval of our Shareholders in a general meeting of our Company to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not exceed 10% of our Shares in issue (assuming the [REDACTED] and the options granted under the Share Option Scheme are not exercised) as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Company will not be counted.
- (iv) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iii) above, our Company may seek separate Shareholders’ approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in sub-paragraph (iii) above to eligible participants identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to paragraph (e) below, the total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in a general meeting of our Company with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

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(e) Grant of options to core connected persons

- (i) Without prejudice to sub-paragraph (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive of our Company or Substantial Shareholder or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to sub-paragraph (i) above, where any grant of options under the Share Option Scheme to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate over 0.1% of our Shares in issue; and
 - (2) having an aggregate value, based on the closing price of our Shares on the offer date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in a general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval from our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a Business Day, on which the offer is made.

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An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstance be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for [REDACTED] on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstance be refundable.

(g) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance target before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustment made pursuant to the paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as our Shares are [REDACTED] on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish announcements of our results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from [REDACTED] under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restriction adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

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(l) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (i) (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any

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winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) Rights on a general offer, a compromise or an arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of our Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

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(r) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) the provisions of paragraphs (l), (m), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, *mutatis mutandis*, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (l), (m), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) Adjustment to the subscription price

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct our auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by our auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

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- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, our auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(iii) or (c)(iv) above.

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

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(v) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so do so. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) Others

- (i) The Share Option Scheme is conditional upon:
 - (1) the Stock Exchange granting the [REDACTED] of and permission to [REDACTED] such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of our Shareholders.
- (ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in a general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of our Shares under the Articles for the time being for a variation of the rights attached to the Shares.
- (iii) Subject to sub-paragraph (v) below, any alteration to the terms and conditions of the Share Option Scheme which is of a material nature or any change to the terms of options granted shall be approved by our Shareholders except where the alteration takes effect automatically under the existing terms of the Share Option Scheme.

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- (iv) The terms of the Share Option Scheme and/or any option amended must comply with the applicable requirements of the Listing Rules.
- (v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity as referred to in paragraph (c) of the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for each of our subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profit, gain, transaction (including but not limited to any transactions involved in the Reorganisation), event, matter or thing earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the [REDACTED] becomes unconditional; and
- (b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with (i) any outstanding and potential litigation (including criminal litigation), arbitration, claim (including counter-claim), complaint, demand and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the [REDACTED] becomes unconditional, including the potential criminal liabilities and penalties and all legal costs and expenses which may arise out of the Lohas Park Accident and the Wong Chuk Hang Accident, details of which please refer to the paragraph headed “Business – Occupational health and work safety” in this document; and (ii) any alleged or actual violation or breach

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or non-compliance by any member of our Group with any law, regulation, rule or administrative order or measure in Hong Kong or other applicable jurisdictions on or before the date on which the [REDACTED] becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the [REDACTED] becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings/Litigation

To the best knowledge of our Directors, save as disclosed in this document, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on the results of operations or financial condition.

3. Application for [REDACTED] of Shares

Our Company has applied to the Stock Exchange for the [REDACTED] of, and the permission to deal in, the Shares in issue and to be issued pursuant to the [REDACTED] and the [REDACTED] as mentioned herein (including the additional Shares which may be issued upon full exercise of the [REDACTED] and the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

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4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Grande Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the [REDACTED].

5. Preliminary expenses

The estimated preliminary expenses amounted to approximately HK\$40,000 and had been paid by our Company.

6. Promoter

- (a) We do not have any promoter.
- (b) Within the two years immediately preceding the date of this document, no amount or benefit has been paid or given to any promoter of our Company in connection with the [REDACTED] or the related transactions described in this document.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document, and have given and have not withdrawn their written consents to the issue of this document with the inclusion of their letters, reports, and/or valuation certificate opinions and/or references to their names (as the case may be), all of which are dated the date of this document, in the form and context in which they respectively appear in this document:

Name	Qualifications
Appleby	Legal advisers to our Company as to Cayman Islands law
CTY & Co.	Tax adviser
Frost & Sullivan Limited	Industry consultant
Garron Holdings Limited	Safety Consultant

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Name	Qualifications
Grande Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO
Mr. Chan Chung	Barrister-at-law in Hong Kong
PricewaterhouseCoopers	Certified Public Accountants Registered Public Interest Entity Auditor

8. Consents of experts

Each of the abovementioned experts has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and reference to its name included in the form and context in which it respectively appears.

9. Fees of the Sponsor

The Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of [REDACTED] in relation to the [REDACTED] and will be reimbursed for their expenses.

10. Independence of the Sponsor

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the [REDACTED], other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sponsor for acting as the sponsor of the [REDACTED]; and
- (b) by way of the compliance advisory fee to be paid to Grande Capital as our compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to our Company has or may have, as a result of the [REDACTED], any interest in any class of securities of our Company or any of our subsidiaries. None of the directors and employees of the Sponsor has any directorship in our Company or any member of our Group. The Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

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11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued as fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission (excluding [REDACTED] commission) has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription, for any Share or shares of any member of our Group;
- (b) no founder, management or deferred share of our Company has been allotted and issued or agreed to be allotted and issued;
- (c) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (d) our Company has no outstanding convertible debt securities;
- (e) our Company has no outstanding debentures;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) our Directors confirm that, up to the date of this document, save as disclosed in the paragraph headed "Summary – Recent development" in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2022, being the date on which the latest audited financial information of our Group was reported in the Accountant's Report; and

- (h) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

13. Bilingual Prospectus

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately but are available to the public at the same time at each place where this document is distributed by or on behalf of our Company.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of the [REDACTED];
2. copies of the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this document; and
3. the written consents as referred to in the paragraph headed "E. Other information – 8. Consents of experts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum and the Articles of Association;
2. the Accountant's Report from PricewaterhouseCoopers in respect of the historical financial information for FY2018/19, FY2019/20, FY2020/21 and FY2021/22, the text of which is set out in Appendix I to this document;
3. the audited consolidated financial statements of our Group for FY2018/19, FY2019/20, FY2020/21 and FY2021/22;
4. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;
5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this document;
6. the legal opinion prepared by the Legal Counsel;
7. the safety review report prepared by the Safety Consultant;
8. the industry report prepared by Frost & Sullivan Limited;

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

9. the tax opinion prepared by CTY & Co.;
10. the Companies Act;
11. the rules of the Share Option Scheme;
12. the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this document;
13. the service agreements and letters of appointment as referred to in the paragraph headed "C. Further information about our Directors and Substantial Shareholders – 2. Particulars of Directors' service agreements and appointment letters" in Appendix IV to this document; and
14. the written consents as referred to in the paragraph headed "E. Other information – 8. Consents of experts" in Appendix IV to this document.