

## BUSINESS

### OVERVIEW

We are a subcontractor specialising in passive fire protection works in Hong Kong. Our passive fire protection works generally involve the design, selection, procurement and installation of appropriate materials and components in a building to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection or activation upon detection. Examples of passive fire protection materials and components include fire rated boards, fire resistant paints and fire resistant plasters. According to the Industry Report, our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong.

With over 20 years of experience in the passive fire protection works industry, our Group focuses on the provision of passive fire protection and ancillary works. During the Track Record Period, we derived substantially all of our revenue from the provision of such works through Easy Smart Engineering and Easy Smart Maintenance, being our principal operating subsidiaries. In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform for subscribers to receive passive fire protection information such as the specifications of various passive fire protection materials in our database.

Our revenue was approximately HK\$150.0 million, HK\$186.5 million, HK\$240.5 million and HK\$131.0 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. Our net profit was approximately HK\$27.8 million, HK\$40.9 million, HK\$28.8 million and HK\$23.4 million over the same respective periods. According to the Industry Report, the passive fire protection works industry in Hong Kong has been growing steadily primarily due to the sustainable development of the construction industry, stringent requirements for fire safety construction and the rollout of Mandatory Urban Renewal Program by the HK Government, prompting demand for installation and refurbishment of passive fire protection systems. The effect of COVID-19 on the passive fire protection works market is expected to be short term and limited. This market is set to gradually regain its momentum in the long run due to (i) the regular renovation of passive fire protection system in residential, commercial and industrial buildings being stable in nature; and (ii) a stable pipeline of construction projects in the residential, commercial and industrial sectors, especially the planned production of public residential units and surrounding auxiliary facilities. The market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026.

We undertake both public sector and private sector projects in Hong Kong as a subcontractor and we provide our services in projects for various types of properties including public infrastructure and facilities, commercial buildings, industrial buildings and residential buildings. Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In respect of our public sector projects, our projects were generally initiated by HK Government departments, statutory bodies or semi-government entities. In respect of our private sector projects, the ultimate project owners were property developers or other private owners.

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The following table sets out a breakdown of our projects and revenue for passive fire protection works by reference to project sectors and types of properties involved during the years/periods indicated:

	Year ended 30 June				Four months ended 31 October							
	2020		2021		2022		2022					
	No. of projects Note 1	% of total revenue (%)	No. of projects Note 1	% of total revenue (%)	No. of projects Note 1	% of total revenue (%)	No. of projects Note 1	% of total revenue (%)				
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
<b>Public</b>						(unaudited)						
- Public infrastructure and facilities	39	53,568	43	100,164	53.8	67,496	28.1	33,967	41.9	23	25,192	19.2
- Residential	19	46,881	19	23,653	12.7	44,090	18.4	10,649	13.2	10	8,457	6.5
<b>Sub-total</b>	<b>58</b>	<b>100,449</b>	<b>62</b>	<b>123,817</b>	<b>66.5</b>	<b>111,586</b>	<b>46.5</b>	<b>44,616</b>	<b>55.1</b>	<b>33</b>	<b>33,649</b>	<b>25.7</b>
<b>Private</b>												
- Commercial and industrial	26	11,372	21	32,530	17.5	80,874	33.7	21,116	26.1	12	21,116	16.8
- Residential	24	18,878	22	15,951	8.6	30,885	12.8	7,662	9.4	14	5,032	3.8
- Public infrastructure Note 2	1	19,286	3	13,877	7.4	16,800	7.0	7,645	9.4	4	2,221	1.7
<b>Sub-total</b>	<b>51</b>	<b>49,536</b>	<b>46</b>	<b>62,358</b>	<b>33.5</b>	<b>128,559</b>	<b>53.5</b>	<b>36,423</b>	<b>44.9</b>	<b>30</b>	<b>97,285</b>	<b>74.3</b>
<b>Total</b>	<b>109</b>	<b>149,985</b>	<b>108</b>	<b>186,175</b>	<b>100.0</b>	<b>240,145</b>	<b>100.0</b>	<b>81,039</b>	<b>100.0</b>	<b>63</b>	<b>130,934</b>	<b>100.0</b>

Notes:

- We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.
- Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

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Our major suppliers are mainly subcontractors responsible for installing and applying materials, particularly passive fire protection materials, in our projects and suppliers of such materials, particularly fire rated boards, fire resistant paints, metal parts and components and precast concrete. We delegate our more labour intensive works, such as the installation and application of the passive fire protection materials and components, to subcontractors given that such delegation will enable us to control our staff costs and focus on the most crucial aspects of a passive fire protection works project, namely, (i) overall management, planning and design of the passive fire protection works; (ii) engaging and supervising subcontractors; (iii) selection and procurement of suitable materials and dealing with their brands owners, manufacturers or agents; and (iv) quality control for our services. During the Track Record Period, we recorded subcontracting fees of approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively, which accounted for approximately 50.6%, 45.2%, 53.5% and 54.1% of our total costs of services for the relevant years/period.

### COMPETITIVE STRENGTHS

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

#### **Long established subcontractor for passive fire protection solutions in Hong Kong with a developed reputation and proven track record in the industry**

We are a long established subcontractor for passive fire protection solutions in Hong Kong founded in 2001. According to the Industry Report, there are approximately 500 market participants engaged in passive fire protection works in Hong Kong but less than 100 of them specialise in such works. Our Group is one of such specialists and we ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong.

With over 20 years of experience in the industry, we have a developed reputation and a proven track record for providing passive fire protection solutions to different types of public sector and public sector projects. During the Track Record Period, we had 109, 108, 103 and 63 projects, for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. In relation to such projects, we provided our services in connection with the development or renovation of a number of sizeable public infrastructure and facilities projects in Hong Kong involving public transport networks, power stations, public hospitals and an airport. We also provided our services in certain sizeable commercial and residential projects in connection with commercial buildings, a logistics centre and public housing. As a demonstration of our capabilities, we had participated in a number of notable projects each with a contract sum of over HK\$10 million including projects such as the high speed rail link at West Kowloon, an art mall at Kowloon, a cruise terminal at Kai Tak, a sports park at Kai Tak and a commercial complex at an airport in Hong Kong.

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According to the Industry Report, the market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026. One of the major market drivers in this industry is the rollout of public infrastructure projects and expedited urban development proposed by the HK Government. For example, outlined in the Chief Executive's "2020 Policy Address", the HK Government is expected to invest substantially in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the coming few years, and strive to ensure the early commencement of capital works projects. In the Chief Executive's "2021 Policy Address", the HK Government targets to increase the overall supply of transitional housing to 20,000 units in the coming few years by providing 5,000 additional units, and increase the amount of funding under the relevant funding scheme to HK\$11.6 billion. Given our reputation and proven track record in the passive fire protection works industry particularly in undertaking sizeable public infrastructure and facilities projects and residential projects as well as our established position, we believe that we are well-positioned to capture new opportunities from the planned public investments by the HK Government and the growing demand for passive fire protection works in Hong Kong.

### **Familiarity with the specifications and usage of a wide range of passive fire protection materials and long history with suppliers of materials**

We are familiar with the specifications and usage of a wide range of passive fire protection materials including but not limited to fire rated boards, fire rated doors, fire partitions, fire resistant paints, coatings and plasters and fire retardant wool. With our familiarity in such a wide range of passive fire protection materials, we are able to offer advice on passive fire protection designs and recommend suitable alternative materials based on the requirements of our customers such as different brands of fire rated doors to fulfill certain size requirements or the use of different brands of fire resistant coating than the one suggested initially by our customers.

We gained such familiarity with materials through our close cooperation with suppliers of materials and we continue to keep ourselves up to date with the specification of their materials including the effects of environmental factors such as humidity and heat on the materials, effective application of such materials and proper handling and storage. Out of our five largest suppliers of materials in each year/period during the Track Record Period, we have been working with most of them for over three years with the longest being 20 years with two suppliers of passive fire protection materials. Through such close cooperation over the years with our suppliers of materials, we are able to gain extensive knowledge on the nature, composition of ingredients, functions and applicability of different types of passive fire protection materials, thus enabling us to decide on suitable materials to be used in our projects and thereby helping us to maintain the high quality of our services. Additionally, our executive Directors believe that through maintaining our strong relationships with such suppliers, we are able to build sufficient rapport with them and gain their trust thereby the relevant suppliers may recognise us as approved applicators for specified brands and facilitate a steady supply of their materials to us. As a demonstration of our long history with such suppliers of materials and their trust in us, we are the authorised applicator for a number of brands of passive fire protection materials, including some of those stated in the list of building materials under the categories of 'Fire-stop Materials and Sealing System' and 'Fire Protection Materials for Structural Use' maintained by the Buildings Department.

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Accordingly, our executive Directors believe that we can leverage on our familiarity with a wide range of passive fire protection materials and long history with suppliers of materials to further develop new business opportunities and expand our business.

### **Strong relationships with our major customers which include large market players in the property development and construction sectors in Hong Kong**

We have a strong relationship with our major customers which include large market players in the property development and construction sectors in Hong Kong. Our five largest customers in each year/period during the Track Record Period included large property developers and contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges. We have been providing services to half of our five largest customers in each year/period during the Track Record Period for over 12 years with the longest being over 18 years. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period during the Track Record Period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our total revenue, respectively, while our five largest customers in each year/period during the Track Record Period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively.

Owing to our strong relationships with our major customers and given their size, we believe we are able to develop future business opportunities from such customers as well as other customers through referrals and by virtue of our strong reputation.

### **Experienced and stable senior management team and project management team**

We are led by an experienced and stable senior management team under the direction of Mr. Dave Ng, our executive Director and our Controlling Shareholder. Our executive Directors are well experienced in the passive fire protection works industry in Hong Kong and each has been with our Group for over 14 years. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" in this document.

We also have a stable project management team, comprising of four project managers and senior project managers as at the Latest Practicable Date, which oversees our projects. Among those project managers, two of them have been with our Group for over five years, with the longest-serving of them having been with our Group for over 11 years.

Being led by an experienced senior management team and experienced project management team has greatly contributed to our ability to build strong relationships with customers and secure new business opportunities through formulating competitive quotations, managing and implementing our projects effectively, and controlling the costs of our projects. In addition, our senior management team's experience and insight in our industry allow us to seize market opportunities and develop sustainable business strategies, thereby contributing to our Group's continued success.

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### BUSINESS STRATEGIES

Our principal business objectives are to maintain our established position in the passive fire protection works industry while strengthening our capabilities in providing passive fire protection solutions in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objectives with the following business strategies:

#### **Maintain our established position in the passive fire protection works industry and continue to tender for sizeable projects**

According to the Industry Report, in the passive fire protection works industry, a sufficient capital reserve is required for recruitment of and payment to workers and raw materials procurement and thus capital requirements serve as a barrier to the new entrants in the industry. In addition, passive fire protection works contractors generally experience net cash outflows due to payment of up-front costs for projects at their early stage and therefore, passive fire protection contractors with stronger financial standing are able to tender for more projects and undertake projects of larger scale. Our executive Directors believe that our business growth needs to be supported by significant financial resources and a strong capital base is essential for increasing our revenues and to support sizeable but capital intensive passive fire protection works projects and their variation orders.

The up-front costs of our projects generally include costs incurred at the early stages of projects comprising subcontracting fees for work done by our subcontractors, payment made to our suppliers for materials and machinery and equipment rental costs. In our executive Directors' experience, we generally continue to experience net cash outflow even after the first payment received from our customers due to the time lag between payment to our subcontractors and other suppliers and the receipt of interim progress payments from our customers. Based on our experience, the rate of cash inflow from our customers from the early stages leading up to the peak amount of works in any given project is disproportionately lower than the rate of increase of costs incurred by us over the same period. Accordingly, our net cash outflows typically turn into net cash inflows gradually as the project progresses.

The timeframe for us to generate positive cash flow from our projects after their commencement and the total amount of up-front costs incurred by our Group during such period varies depending on the size and duration of projects as well as other factors. Based on our experiences with the major completed projects which contributed over HK\$10 million in revenue during the three years ended 30 June 2022, it took approximately five months to 21 months and an average of nine months for us to start generating positive monthly net cash flow from such major projects after their commencement (i.e. the Up-front Period) and the total amount of up-front costs incurred by our Group during the Up-front Period represented on average approximately 29.1% of the contract sum of such major projects.

Besides financing up-front costs of our projects, maintaining sufficient capital reserves is necessary for financing variation orders, which are not uncommon in the passive fire protection works industry according to the Industry Report because they arise from a variety of circumstances which may be (a) outside of the control of the customer;

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and (b) necessary for the completion of the project in a timely manner. Most of our major completed projects during the Track Record Period involved variation orders and these variation orders generally involve an increase in the contract value to the original contract sum which result in an increase in our work and our costs for our projects and thus, there is a risk that our estimated level of funding required for our projects at the tendering stage is insufficient for our variation orders. Specifically, given that the variation orders for 18 of our top 20 projects completed during the Track Record Period and up to the Latest Practicable Date by revenue contribution increased the contract value for such projects, and on average, the amount of variation orders was approximately 53.9% of the original contract sum of those top 20 completed projects, the actual costs for such major completed projects generally exceeded our initial cost estimates at the tendering stage, and we had to reallocate our financial resources accordingly.

We believe that the [REDACTED] from the [REDACTED] will strengthen our available financial resources, thereby allowing us to undertake more sizeable projects by applying a portion of the net [REDACTED] to satisfy the up-front costs of our five earmarked projects and variation orders for our projects. We currently plan to apply part of our [REDACTED] from the [REDACTED] towards fulfilling such purposes. For further details of these projects, please refer to the section headed "Future plans and use of [REDACTED] — Use of [REDACTED]" in this document.

### **Recruit staff for our business expansion**

We intend to recruit additional staff to increase our service capacity while also maintaining our high quality of services during our business expansion. For this purpose, our executive Directors believe that we will require different types of staff including project managers and supporting operational and administrative staff.

We intend to hire an additional 11 staff after [REDACTED] comprising (i) two project managers in construction project management with at least eight years of working experience; (ii) two assistant project managers in construction project management with at least five years of working experience; (iii) two foremen with at least three years of working experience; (iv) one site agent with at least two years of working experience; (v) one quantity surveyor manager with at least five years of working experience; (vi) two quantity surveyors with three to five years of working experience; and (vii) one accounting manager with five to seven years of working experience.

### **Brand building through upgrading our online platform and upgrading the information technology system of our Group**

We believe that to reach new customers and strengthen our brand recognition in Hong Kong, it is necessary to embrace technological advances and use different avenues to reach potential customers and maintain our relationship with existing customers. In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform for subscribers to receive passive fire protection information such as specifications of various passive fire protection materials in our database including their weight, size and fire resistance period (for further details, please refer to the paragraph headed "Our business — Provision of passive fire protection information services" in this section). As at the Latest Practicable Date, we had five subscribers for such services. Although this service is relatively new, we successfully gained new business opportunities through some of these subscribers including certain sizeable project for passive fire protection works.

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In addition, the Industry Report identifies the technology-enabled operational model as one of the market trends and opportunities in the passive fire protection works industry, using technology to streamline procedures, elevate operating efficiency and establish sustainable business model for service providers. Our executive Directors consider it vital for our competitiveness and long-term sustainability to keep up with such industry trends by upgrading our information technology systems.

For such purposes, we intend to allocate a portion of the net [REDACTED] from the [REDACTED] for expanding the scale of our online platform for information on passive fire protection and upgrading our other information technology systems as well.

### **Implementation of strategies**

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

## **OUR BUSINESS**

### **Our services**

During the Track Record Period, we derived substantially all of our revenue from the provision of passive fire protection works and ancillary works through Easy Smart Engineering and Easy Smart Maintenance, being our principal operating subsidiaries. We also, to a lesser extent, generated revenue from the provision of passive fire protection information services commencing in 2020 which represented less than 0.5% of our total revenue during the Track Record Period.

### **Provision of passive fire protection works and ancillary works**

Our passive fire protection works generally involve the design, selection, procurement and installation of appropriate materials and components in a building to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection and/or activation upon detection. Examples of passive fire protection materials and components include fire rated boards, fire resistant paints and fire resistant plasters. Our Group does not currently engage in the installation of fire alarm systems and other types of active fire protection works.

The exact scope of our passive fire protection works differs between projects, depending on various factors such as the type of building, the overall building designs provided by our customers, the requirements of the project owners and the allocation of works between different contractors in the projects. During the Track Record Period, we engaged in the passive fire protection works involving the design, supply and installation of fire resistant enclosures for designated parts of buildings such as ceilings, walls, cables and services pipes. As part of such works, we installed fire rated boards, fire rated windows, fire rated doors, fire partitions, fire dampers and smoke curtains, and applied fire resistant paints, fire resistant coatings and fire resistant plasters. We also conducted ancillary works in connection with our passive fire protection works which mainly involve metal works in the vicinity given that passive fire protection materials and



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components in buildings are often integrated or interconnected with metal structures or systems such as in the case of the installation of a fire rated duct system or steel suspension frameworks for the fire rated boards to form fire resistant enclosures.

The service scope for our projects typically involves us providing a wide variety of different types of passive fire protection works and ancillary works. The following are further examples and details of specific types of works which our Group provides as part of our passive fire protection works:

<b>Types</b>	<b>Details</b>
<b>Installation of fire rated boards, fire rated windows, fire rated doors and fire partitions</b>	In order to stop fires and heat from spreading, fire rated boards, fire rated windows, fire rated doors and fire partitions are installed throughout a building. These materials and components generally have high heat absorption and low shrinkage to keep their integrity and are designed to keep the temperature on the other side of such barrier low for a period of time in case of a fire. We help install such fire rated boards, fire rated windows, fire rated doors and fire partitions and ensure proper handling of the materials and components on site to prevent damage or chipping prior to installation. Afterwards, we perform necessary measuring, cutting and welding work to ensure the necessary fit of the materials and components according to the designs.
<b>Application of fire resistant paints, fire resistant coatings and fire resistant plasters</b>	We apply specially designed paints, coatings and plasters to various parts of building for fire protection purposes through airless sprayers or in certain cases, through brushes. Dependent on the materials used, the materials applied by us may grant other protections such as anti-corrosion and acoustic insulation. Besides walls and ceiling, such materials may also be applied to steel structures where such coating serves as a heat insulator which is designed to expand in case of fires to help lower the rising temperature for the steel structure. We work to ensure proper preparation and mixing before application. During the application process, we inspect to check the proper thickness of such materials has been applied uniformly across the designated parts of the building and prevent rain and humidity from affecting the drying process. Upon our customers' requests, we may conduct such application process off-site through arranging the spraying or application of the fire resistant paints and coatings at another location and procure the delivery and installation by our subcontractors of the relevant building component at the project location subsequently.

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Types	Details
<b>Installation of fire dampers, smoke dampers and smoke curtains</b>	We install passive fire protection components in heating, ventilation, and air conditioning ducts to prevent the spread of fire and smoke inside the ductwork, specifically fire and smoke dampers. We will also install smoke curtains where appropriate. For such works, we help identify suitable locations for installation of such dampers and curtains and ensure proper fitting with supporting frames and fixings are provided for such dampers and curtains.
<b>Ancillary works</b>	Given that the application of passive fire protection works may involve ancillary works, we will generally perform such works as part of our services. Generally, such ancillary works involve metal works for supporting frames and fixings of the relevant passive fire protection materials and components such as welding works for joints or using screws to properly install fire rated boards and fire partitions. However, we will also perform installation of materials and painting works to conceal the actual passive fire protection works for aesthetic purposes and other metal works in the vicinity such as installation of metal handrails for stairs.

We provide the above services for the development of new buildings and redevelopment, refurbishment or renovation of the whole or part of existing buildings.

### **Provision of passive fire protection information services**

Our passive fire protection information services are primarily intended to address a common problem in the industry as identified by our executive Directors: the purchase and use of inappropriate passive fire protection materials during the initial stages of projects. Based on our executive Directors' extensive experience in the industry, contractors not specialising in passive fire protection works may be unfamiliar with fire safety requirements and unduly rely on their previous experience and word of mouth suggestions in the selection of passive fire protection materials without giving proper consideration of the specifications of such materials and their appropriateness for the project at hand to meet fire safety standards. By failing to select appropriate materials during the initial stages, contractors may bear additional potential costs in relation to (i) purchasing the required appropriate materials at a later stage and on an urgent basis; (ii) arranging for rectification works for any inappropriate materials used; and (iii) dealing with logistics for removing and replacing the inappropriate materials. This may potentially lead to cost overrun and delays in the project.

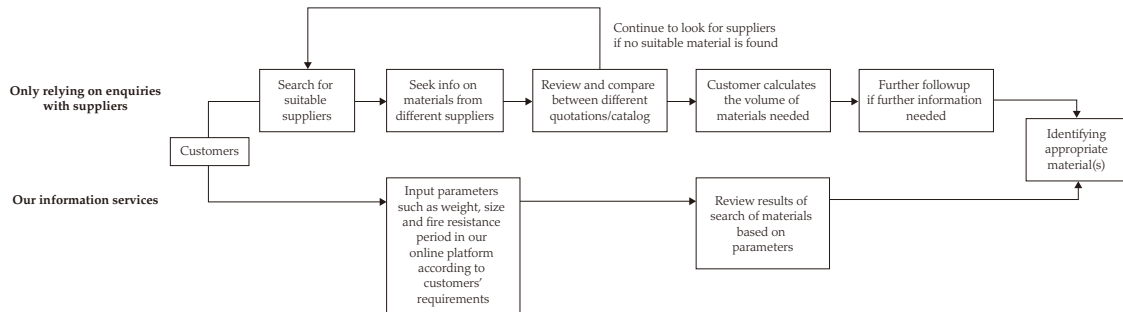
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According to the Industry Report, contractors in the construction industry in Hong Kong may seek out information on the specifications and costs of construction materials, including passive fire protection materials given the potential cost savings by selecting the appropriate materials at the initial stages of the construction projects. Such information concerning passive fire protection materials is also helpful for main contractors and subcontractors not principally engaged in passive fire protection works in preparing tenders or quotations to customers, estimating overall project costs and negotiating terms with different suppliers. In order to maximise the benefits from their projects, it is better for the contractors to consult additional sources which consider the specifications of passive fire protection materials from different suppliers and allow contractors to better objectively determine the most appropriate and cost effective materials thus helping them to maintain the quality of their service, improve their profitability and mitigate the risks of delays and cost overrun due to selection of inappropriate materials. Based on our enquiries, certain potential customers indicated a willingness to pay for access to external resources with such information for identifying the appropriate materials to assist them in performing their duties in their projects and given the abovementioned potential cost savings and other benefits to such customers. Given the market potential for such information services and the business opportunities for us to promote our passive fire protection works services and gain additional passive fire protection projects, we include the provision of such information services in respect of passive fire protection materials in our expansion plan.

In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform to provide subscribers with passive fire protection information. Based on the Industry Report and to the best of the knowledge, information and belief of our executive Directors, there are currently no platforms similar to our Group's online platform or other information providers in the market providing similar services as our Group.

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With access to our online platform, our subscribers may use the interactive features therein to conveniently search our database for the various materials and filter the results by parameters such as their weight, size and fire resistance period. Thus, through our information services, subscribers may identify potential materials which match their required specifications. The following flow chart compares the potential benefits of our information services as compared to relying solely on inquiries with different suppliers:



### Potential benefits

- **Time-saving:** Customers may not know the appropriate materials which meet their required specifications and thus waste time seeking such materials and the right suppliers. Instead of liaising back and forth with multiple suppliers, our services help minimise the time to identify such materials by allowing subscribers to search and filter results on our online platform.
- **Convenience:** Suppliers may not offer a detailed catalogue of their materials with all relevant specifications for easy comparison purposes. Searching our database with materials categorised by different specifications is, therefore, more convenient for comparison between materials.
- **Objectivity:** Suppliers will generally promote their own supplied materials and thus, the information obtained may be less objective and not be the most cost-effective option. Our online platform allows the comparison of materials of different suppliers in our database.
- **Support services:** After the review of materials offered by suppliers, customers may still be unable to locate the appropriate material. As part of our services, we will provide customer support by answering their basic enquiries in relation to various materials such as suggestions on re-designs.

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By providing the abovementioned support services, we can also demonstrate our passive fire protection expertise and offer appropriate solutions which may lead to them engaging us for passive fire protection works in projects or referring potential customers to us.

In determining our current monetisation strategy for this service, we considered that our main strategy is for the provision of such information services leading to our engagement in passive fire protection works projects. In terms of the annual fees charged for the information services, we considered the potential market demand from contractors in the Hong Kong construction industry which seek for such information and are willing to pay for such services as preventive measures to mitigate the risks of delays and cost overrun and we determined the appropriate price point for such new services to be profitable for us while being attractive to customers. We will review our monetisation strategy and the fees for our services from time to time based on feedback from our customers and further development of our services. We charge our subscribers an annual fee for access to such platform, being HK\$58,000, HK\$64,000 and HK\$68,000 for the years of service commencing from June 2020, 2021 and 2022, respectively.

As at the Latest Practicable Date, our passive fire protection information services only involve such information services given that we remain focused on our core services, being the provision of passive fire protection works, and the current level of information services provided by us allows us to dedicate our staff and other resources towards our core services. We consider the above services complementary to our core services by building our brand as specialists in providing passive fire protection solutions. Furthermore, offering such information services allows us to maintain our relationship with existing customers which subscribe to our service and potentially generate new business from new customers as they typically also need assistance in the procurement and application of such materials after we provide our information services and we can then offer our passive fire protection services to them.

We had five customers for such services as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively and three of these five customers first became our subscribers for our information services before subsequently engaging us for the provision of passive fire protection works for the first time. Aside from receipt of the annual fee, receipt of payments for the provision of passive fire protection works to such customers if they also engage us for projects, and the other indirect benefits as described above, our Group has not received any other forms of economic benefits from the provision of such services.

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For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our revenue derived from such services was approximately HK\$8,000, HK\$0.3 million, HK\$0.3 million and HK\$0.1 million, respectively. The following is a breakdown of the revenue derived from such information services from each of our customers during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Customer N	2	59	64	22	23
Wing Kei Structural Metalworks Company Limited	1	58	64	21	23
Brilliant (E&M) Engineering Limited	2	58	64	22	22
Customer P	1	58	64	21	23
Customer Q	2	58	64	21	23
	<b>8</b>	<b>291</b>	<b>320</b>	<b>107</b>	<b>114</b>

### OUR PROJECTS

#### Duration of projects

We are engaged by our customers to provide our services on a project-by-project basis and generally such projects during the Track Record Period ranged from around four months to around five years. The main reasons for the range of the duration of projects is due to (i) differences in the size, complexity and requirements of individual projects; and (ii) in certain cases, subsequent variation orders and modifications are required.

#### Types of projects

We engage in both public sector and private sector projects in Hong Kong. Our public sector projects primarily comprise public infrastructure and facilities and residential properties such as those involving public transport networks, public hospitals, an airport and public housing. Since the COVID-19 pandemic, we have also undertaken projects involving quarantine facilities in Penny's Bay. Our public sector projects were generally initiated by the HK Government departments, statutory bodies or semi-government entities, such as the Housing Authority, Airport Authority, Urban Renewal Authority and a company listed on the Stock Exchange which is majority owned by the HK Government and which principally operates a public transport network in Hong Kong. Our private sector projects primarily comprise residential properties, commercial properties and industrial properties such as residential complexes, hotels, shopping malls and office buildings. The ultimate project owners for private sectors projects were property developers and other private owners. During the Track Record Period, we were also engaged in public infrastructure projects including projects involving a power station which are treated as private sector projects given the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

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The following table sets out a breakdown of the revenue, gross profit and gross profit margin for passive fire protection works by reference to public sector and private sector projects and types of properties involved during the years/periods indicated:

	Year ended 30 June				Four months ended 31 October					
	2020		2021		2022		2021		2022	
	Revenue HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit margin %	Revenue HK\$'000 (unaudited)	Gross profit margin % (unaudited)	Revenue HK\$'000	Gross profit margin %
<b>Public</b>										
- Public infrastructure and facilities	53,568	30.0	100,164	36.1	67,496	25.8	33,967	27.5	25,192	23.6
- Residential	46,881	19.2	23,653	18.2	44,090	23.3	10,649	19.8	8,457	37.8
<b>Sub-total</b>	<b>100,449</b>	<b>24.9</b>	<b>123,817</b>	<b>32.7</b>	<b>111,586</b>	<b>24.8</b>	<b>44,616</b>	<b>25.6</b>	<b>33,649</b>	<b>27.2</b>
<b>Private</b>										
- Commercial and industrial	11,372	41.1	32,530	23.8	80,874	26.7	21,116	7,091	90,032	25.6
- Residential	18,878	29.8	15,951	23.5	30,885	24.8	7,662	2,357	5,032	24.2
- Public infrastructure and facilities <sup>Note</sup>	19,286	26.0	13,877	16.4	16,800	25.8	7,645	1,887	2,221	35.6
<b>Sub-total</b>	<b>49,536</b>	<b>30.9</b>	<b>62,358</b>	<b>22.1</b>	<b>128,559</b>	<b>26.1</b>	<b>36,423</b>	<b>11,335</b>	<b>97,285</b>	<b>25.7</b>
<b>Total</b>	<b>149,985</b>	<b>26.9</b>	<b>186,175</b>	<b>29.1</b>	<b>240,145</b>	<b>25.5</b>	<b>81,039</b>	<b>22,773</b>	<b>130,934</b>	<b>26.1</b>

*Note:* Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

For further details on the factors affecting our pricing strategy and the impact on our Group's profit margin for major projects during the Track Record Period, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this document.

For further details on the reasons for the material fluctuations in our revenue, gross profit and gross profit margin during the Track Record Period by reference to our public and private sector projects, please refer to the section headed "Financial information — Period-to-period comparison of results of operations" in this document.

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For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we had 109, 108, 103 and 63 projects, respectively. The following table sets out a breakdown of our revenue for passive fire protection works by public sector and private sector projects referenced to project sectors and types of properties involved during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October							
	2020			2021			2022			2022				
	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000		
<b>Public</b>														
- Public infrastructure and facilities	39	35.7	53,568	43	53.8	100,164	38	28.1	67,496	24	41.9	33,967	23	25,192
- Residential	19	31.3	46,881	19	12.7	23,653	16	18.4	44,090	8	13.2	10,649	10	8,457
<b>Sub-total</b>	58	67.0	100,449	62	66.5	123,817	54	46.5	111,586	32	55.1	44,616	33	33,649
<b>Private</b>														
- Commercial and industrial	26	7.6	11,372	21	17.5	32,530	18	33.7	80,874	12	26.1	21,116	9	90,032
- Residential	24	12.6	18,878	22	8.6	15,951	26	12.8	30,885	14	9.4	7,662	17	5,032
- Public infrastructure and facilities <sup>Note 2</sup>	1	12.9	19,286	3	7.4	13,877	5	7.0	16,800	4	9.4	7,645	4	2,221
<b>Sub-total</b>	51	33.0	49,536	46	33.5	62,358	49	53.5	128,559	30	44.9	36,423	30	97,285
<b>Total</b>	109	100.0	149,985	108	100.0	186,175	103	100.0	240,145	62	100.0	81,039	63	130,934

Notes:

- We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.
- Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.



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Although our projects included both new buildings and existing buildings, a substantial portion of our revenue is derived from new buildings. The following table sets out a breakdown of our revenue for passive fire protection works by new buildings and existing buildings during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October								
	2020			2021			2022			2021			2022		
	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue	No. of projects	Revenue HK\$'000	% of total revenue
New buildings	88	138,391	92.3	89	176,416	94.8	91	235,183	97.9	56	79,500	98.1	59	130,324	99.5
Existing buildings	21	11,594	7.7	19	9,759	5.2	12	4,962	2.1	6	1,539	1.9	4	610	0.5
<b>Total</b>	<b>109</b>	<b>149,985</b>	<b>100.0</b>	<b>108</b>	<b>186,175</b>	<b>100.0</b>	<b>103</b>	<b>240,145</b>	<b>100.0</b>	<b>62</b>	<b>81,039</b>	<b>100.0</b>	<b>63</b>	<b>130,934</b>	<b>100.0</b>

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### Projects by types of contracts

During the Track Record Period, most of our contracts with customers involve remeasurement while the rest are on a lump sum fixed price basis. In contracts with a lump sum fixed price basis, the contract generally specifies a contract sum based on the agreed unit rates and the agreed quantities of work items. In contracts involving remeasurement, the agreed unit rates and the estimated quantities of work items are included in the contract and the final contract sum is subject to remeasurement of the works done and our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, approximately 99.0%, 98.9%, 99.9% and 100.0% of our revenue for passive fire protection works is derived from contracts involving remeasurement respectively.

Given that we carefully consider the price when preparing relevant quotations or tender documents during the initial preparation stage, major changes to our scope of services are generally addressed by supplemental agreements and variation orders, and we will discuss with our customers if there are any major differences in opinion on the value of actual work done by us as measured by our customers, our executive Directors confirmed that (i) there were no material differences between the initial and finalised contract value of our major completed projects during the Track Record Period solely due to remeasurement; and (ii) remeasurement did not materially impact how our Group recognised revenue or our profitability during the Track Record Period.

### Projects by revenue recognised

The following table sets out the number of projects during the years/period indicated by their respective revenue recognised:

	Year ended 30 June			Four months ended
	2020	2021	2022	31 October 2022
Below HK\$1 million	81	75	70	48
HK\$1 million to HK\$10 million	25	30	26	13
Above HK\$10 million	3	3	7	2
	109	108	103	63

The number of projects for which we recognised revenue remained relatively stable at 109 and 108 projects for the years ended 30 June 2020 and 2021, respectively, and then decreased to 103 projects for the year ended 30 June 2022 and 63 projects for the four months ended 31 October 2022. Despite the slight decrease in the number of projects from the year ended 30 June 2020 to the year ended 30 June 2022, our revenue continued to increase as we were able to secure and undertake more sizeable projects during the Track Record Period and we shifted our focus from smaller projects to projects with larger contract sums.

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### Movement in our backlog

#### *Movement in number of projects*

The following table sets out the movement of our projects during the years/period indicated:

	Year ended 30 June			Four months ended	From 1 November 2022 up to the Latest Practicable Date
	2020	2021	2022	31 October 2022	Date
Number of projects continued from the previous year/period	90	85	36	36	46
Number of new projects awarded during the year/period	39	40	65	23	3
Less: number of projects ended during the year/period <sup>Note</sup>	(44)	(89)	(65)	(13)	(14)
Number of projects to be continued to the next year/period	85	36	36	46	35

*Note:* The projects ended during the year/period are those which the works have been practically completed with reference to the last payment certificate obtained by us and in respect of which we ceased to have incurred any cost for over two months subsequently.

#### *Movement in total contract value*

The following table sets out the movement in the total contract value of our projects during the years/periods indicated:<sup>Notes 1 & 4</sup>

	Year ended 30 June			Four months ended	From 1 November 2022 and up to the Latest Practicable Date
	2020	2021	2022	31 October 2022	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract value of projects (including relevant variation orders) at the beginning of the year/period	160,106	129,973	353,882	411,795	387,050
Total contract value of new projects and relevant variation orders awarded during the year/period	119,852	410,084 <sup>Note 2</sup>	298,058 <sup>Note 2</sup>	106,190	62,392
Less: revenue of projects recognised during the year/period	(149,985)	(186,175)	(240,145)	(130,934)	(99,979)
Total contract value of projects (including relevant variation orders) remaining at the end of the year/period <sup>Note 3</sup>	129,973	353,882	411,795	387,050	349,463

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*Notes:*

1. Total contract value takes into account (i) the original contract sum of projects, 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 indicated.
2. The increase in the contract value for the year ended 30 June 2021 as compared to the year ended 30 June 2020 was mainly due to one of our major completed projects and three of our major projects in progress as at the Latest Practicable Date with an aggregate original contract sum of approximately HK\$233.8 million: (i) Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong with Brilliant (E&M) Engineering Limited and Customer Group H; (ii) Project 4908, a public and facilities infrastructure project involving a passenger terminal at an airport in Hong Kong with Customer Group E; (iii) Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak with Wing Kei Structural Metalworks Company Limited; and (iv) Project 4719 a public infrastructure and facilities project involving a hospital at Kwai Chung with Customer Group A and Customer R (for further details, please refer to the section headed "Business — Our projects — Major projects in progress as at the Latest Practicable Date" in this document). Subsequently, there was a decrease in the contract value of new projects and relevant variation orders awarded for the year ended 30 June 2022 mainly due to (i) the significant increase in the value of our backlog of projects for the year ended 30 June 2021 and taking into account the limits to our available financial resources and workforce, the tenders we submitted were less competitive in general for the year ended 30 June 2022 compared to prior years; and (ii) the contract value of Project 5411 was excluded as the letter of award was still being processed by our customer during the year ended 30 June 2022 but has been received by us as at the Latest Practicable Date.
3. Total contract value remaining means the portion of the total estimated revenue that has not been recognised with respect to our projects which were still on-going as at the end of the relevant year/period.

We estimate that the total revenue to be recognised up to the year ending 30 June 2025 from our backlog of projects remaining as at the Latest Practicable Date is as follows:

	From the Latest Practicable Date to 30 June 2023	From 1 July 2023 to 31 December 2023	From 1 January 2024 to 30 June 2024	Year ending 30 June 2024	From 1 July 2024 to 31 December 2024	From 1 January 2025 to 30 June 2025	Year ending 30 June 2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Estimated revenue to be recognised	74,318	215,222	55,739	270,961	4,184	-	4,184

*Note:* The estimated revenue to be recognised from our existing backlog for each of the above year/period was determined by our executive Directors having considered (i) the original contract sum of our existing backlog of projects and variation orders for such projects received up to the Latest Practicable Date less revenue recognised up to the Latest Practicable Date; and (ii) when our works should be practically completed with reference to the expected completion date specified in the relevant contract (if any), the initial work schedule or based on communications with our customers. Accordingly, the revenue recognised for each of the above year/period may change due to the progress of such projects and changes in project requirements (such as due to subsequent variation orders).

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Major projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, our Group had 35 projects in progress (representing projects awarded to us with signed quotations or formal contracts and that have commenced but not completed as well as projects that have been awarded to us with the quotations or formal contracts have been signed but works have not yet commenced). The following table sets out the details of our top 15 projects in progress as at the Latest Practicable Date in terms of estimated revenue expected to be derived from each of them after the Track Record Period:

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <sup>Note 1</sup>	Capacity of customer in the project	Commencement date <sup>Note 2</sup>	Expected practical completion date <sup>Note 3</sup>	Original contract sum <sup>Note 4</sup>	Variation order value/ adjustments	Revenue contribution <sup>Notes 5 and 10</sup>				Estimated revenue to be recognised after Track Record Period
											Year ended 30 June		Four months ended 31 October 2022	HKS'000	
											2020	2021			
5330	A sports park at Kai Tak	Design, supply and installation of fire rated panel system and structural steel for scoreboard and flag pole	Public infrastructure and facilities	Public	Customer Group F	Main contractor	March 2022 <sup>Note 6</sup>	January 2024 <sup>Note 6</sup>	128,074	60	-	-	1,481	3,219	123,434
4908	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication and installation of automatic smoke curtain system	Public infrastructure and facilities	Public	Customer Group E	Main contractor	December 2020	December 2023	55,020	303	-	251	4,387	2,512	48,179 <sup>Note 10</sup>
4719	A hospital at Kwai Chung	Supply and installation of fire protection coating to platform	Public infrastructure and facilities	Public	Customer Group A Customer R	Main contractor Subcontractor	June 2020	January 2024	48,382	-	2	1,400	529	97	46,354 <sup>Note 10</sup>
										887 <sup>Note 4</sup>	-	-	887	-	-
					<b>Total:</b>										
5411	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication, delivery and installation of 2 hours fire rated acoustic enclosure system	Public infrastructure and facilities	Public	Customer Group E	Main Contractor	June 2022	April 2024	48,382	887	2	1,400	1,416	97	46,354
5121	An express route at Yau Ma Tei West	Design, supply and fabrication of facade system on the landscaped deck	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	April 2022	October 2024	39,000	-	-	-	224	19	38,757
4539	A sports park at Kai Tak	Application of fire resistant coating	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	January 2021	June 2023	29,702	-	-	-	1,204	658	27,840
5399	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication, delivery and installation of static smoke barrier at terminal 2 lower level areas	Public infrastructure and facilities	Public	Customer Group E	Main contractor	May 2022	April 2024	59,928	-	-	7,870	16,887	9,427	25,744
									22,882	-	-	-	57	114	22,711

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Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <sup>Note 1</sup>	Capacity of customer in the project	Commencement date <sup>Note 2</sup>	Expected practical completion date <sup>Note 3</sup>	Original contract sum <sup>Note 4</sup>	Variation order value/ adjustments	Revenue contribution			Estimated revenue to be recognised after Track Record Period
											Year ended 30 June		Four months ended 31 October 2022	
											2020	2021		
											HK\$'000	HK\$'000	HK\$'000	
5153	Residential development at Kai Tak	Design, supply and installation of fire rated ceiling and enclosure	Residential	Private	Customer Group F	Main contractor	March 2023	March 2024	14,005	-	-	-	-	14,005
5015	A power station at Lamma Island	Fire protection system and painting works	Public infrastructure and facilities	Private	Customer Group C	Subcontractor	March 2021	June 2023	30,591	670	3,549	16,268	1,023	10,421
4627	A hospital at Kwun Tong	Supply and application of fire resistant coating system to structural steel works	Public infrastructure and facilities	Public	Customer Group D	Main contractor	March 2021	May 2023	8,616	1,477	205	2,831	731	6,326
					Customer R	Subcontractor			2,254	-	-	1,309	-	745
					<b>Total:</b>				<b>10,870</b>	<b>1,477</b>	<b>205</b>	<b>4,940</b>	<b>731</b>	<b>7,071</b>
5545	A tower at a university in Kowloon Tong	Supply and installation of fire rated board to steel duct	Public infrastructure and facilities	Public	Customer W	Subcontractor	Not yet commenced	December 2023	7,018	-	-	-	-	7,018
4811	An animal welfare building complex at Kai Tak	Design, supply and installation of aluminium feature and sub-frame for planter box	Public infrastructure and facilities	Public	Customer Group D	Main contractor	October 2021	January 2024	5,897	-	-	69	-	5,828
4683	A commercial development at Kai Tak	Application of fire resistant plaster and intumescent paint	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	November 2020	June 2023	6,040	-	361	792	-	4,887
136	Commercial development at Tsim Sha Tsui	Supply and installation of fire rated enclosure and ceiling	Commercial	Private	Customer S	Main contractor	January 2023	June 2023	2,341	-	-	-	-	2,341
5505	Residential development at Yuen Long	Supply, installation and removal of fire rated temporary steel platform	Residential	Private	Customer P	Subcontractor	Not yet commenced	September 2023	2,000	-	-	-	-	2,000

Notes:

- (1) For the purposes of the above table, the customer identified for the project is either (i) our sole customer of the project; or (ii) for Projects 4719 and 4627 where we have more than one customer of the project, Customer Group D, Customer Group E, Customer Group F, and Wing Kei Structural Metalworks Company Limited were among our five largest customers in each year/period during the Track Record Period. For further details on their background, please refer to the paragraph headed “Our customers — Five largest customers during the Track Record Period” in this section. Based on available public information, Customer R is a private construction company in Hong Kong; and Customer S is a subsidiary of a company listed on the Stock Exchange.

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- (2) The commencement date refers to the date of commencement based on when we began incurring expenses for the project as set out in payment applications.
- (3) Unless otherwise specified, this refers to the date determined by our Directors when our works have practically completed with reference to the expected completion date specified in the relevant contract (if any), the initial work schedule or based on communications with our customers. These dates may change due to the progress of such projects and changes in project requirements.
- (4) The original contract sum in respect of each project represents the contract sum stated in the contracts and if different, as stated in the payment certificates. It does not take into account subsequent adjustments due to variation orders. For Project 4719, during the course of the project, we were separately required by another subcontractor to conduct additional works outside the scope of the original agreement with the main contractor. Given, the works related to the same project and we were engaged by such other subcontractor under the variation orders, the costs were borne by such subcontractor rather than the main contractor, and that subcontractor is considered as an additional customer for the same project with variation orders accordingly.
- (5) The revenue derived from each customer was determined based on the stage of completion of the contract using input method in accordance with HKFRS 15.
- (6) Although there was a delay in the work schedule and expected practical completion date of Project 5330 due to the COVID-19 pandemic, particularly the fifth wave outbreak in Hong Kong in the first half of 2022, our Group has merely started relatively preliminary preparatory works in March 2022 and has not incurred significant up-front costs until October 2022 for this project. Accordingly, such delay to Project 5330 due to COVID-19 did not result in a material adverse effect on the business or financial condition of our Group.
- (7) The above projects were all obtained by direct invitation for tender.
- (8) Generally, a majority of the contract value for a project is agreed upon between our customer and us at the tendering stage when we enter into the formal contract or at the implementation stage due to variation orders requested by customers. A majority of the revenue for projects is typically recognised during the implementation stage from when we begin incurring a significant amount of up-front costs until the practical completion of projects. Given that the implementation stage for projects may take place over a number of years, with initial preparatory works conducted at the beginning of this stage but a significant portion of our works conducted only after the completion of the works of other contractors in the construction project (such as the establishment of building foundations and construction of the structures before our Group begins installing passive fire protection materials) a significant portion of our up-front costs may be incurred at a much later date than when we commenced works for projects.

For Projects 4719 and 4908, we commenced initial preparatory works for such projects in June 2020 and December 2020, respectively, involving purchase of small quantity of materials involving primer and metal parts and components. For Project 4719, we applied fire resistant coating to steel surfaces and other works during the Track Record Period but have completed only a relatively small portion of the agreed works for this project involving the passive fire protection works involving the ceiling system of the hospital. For Project 4908, we began the supply and installation of smoke curtains during the Track Record Period but only completed a relatively small portion of the agreed works for this project. Based on the available information including the initial work schedule and communications with our customers, we expect that the practical completion for such projects will be in January 2024 and December 2023, respectively. Thus, despite the commencement of works for such projects in 2020, we expect to recognise a majority of the revenue from such projects after [REDACTED].

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Major completed projects during the Track Record Period and up to the Latest Practicable Date

The following table sets out the details of our top 20 completed projects during the Track Record Period and up to the Latest Practicable Date in terms of the revenue contribution during the Track Record Period:

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <sup>Note 1</sup>	Capacity of customer in the project	Commencement date <sup>Note 2</sup>	Practical completion date <sup>Note 3</sup>	Original contract sum <sup>Note 4</sup>	Variation order value/ adjustments	Revenue contribution <sup>Note 5</sup>			Four months ended 31 October 2022
											Year ended 30 June		2022	
											2020	2021		
									HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
4876	A logistics centre at an airport in Hong Kong	Fire rated steel duct cladding works	Commercial	Private	Brilliant (E&M) Engineering Limited	Subcontractor	April 2021	January 2023	70,517 <sup>Note 9</sup>	Note 9	-	4,838	8,387	-
					Customer Group H	Subcontractor			70,517 <sup>Note 9</sup>	44,680	-	-	31,889	67,253
					<b>Total:</b>				<b>70,517<sup>Note 9</sup></b>	<b>44,680</b>	<b>-</b>	<b>4,838</b>	<b>40,276</b>	<b>67,253</b>
4979	A commercial complex at an airport in Hong Kong	Supply and installation of fire rated enclosure and metal platforms	Commercial	Private	Customer Group F	Main contractor	February 2021	February 2023	34,720	14,660	-	2,350	10,390	18,215
					Customer P	Subcontractor			5,000	2,105	-	5,000	2,105	-
					Customer V	Subcontractor			-	58	-	-	-	58
					<b>Total:</b>				<b>39,720</b>	<b>16,823</b>	<b>-</b>	<b>7,350</b>	<b>12,495</b>	<b>18,273</b>
5046	Temporary quarantine facilities at Penny's Bay	Supply and installation of steel stair and corridors and fire resistant coating works	Public infrastructure and facilities	Public	Customer Group F	Main contractor	September 2020	January 2021	35,141	2,046	-	37,187	-	-
4659	A power station at Lamma Island	Supply and installation of fire protection system and painting works	Public infrastructure and facilities	Private	Customer Group C	Subcontractor	May 2019	May 2022	23,078	8,340	19,286	10,283	170 <sup>Note 5</sup>	1,123
4171	Public rental housing redevelopment at Pak Tin Estate	Supply, installation and removal of fire rated doors and temporary fire resistant metal platform	Residential	Public	Goldtech Construction Engineering Limited	Subcontractor	July 2017	August 2022	22,263	13,747	20,042	5,894	2,250	2,448
4806	A passenger terminal at an airport in Hong Kong	Design, installation, testing and commissioning of aluminium blades, pods, retail and service cabins	Public infrastructure and facilities	Public	Customer K	Subcontractor	May 2020	July 2022	35,072	-5,172 <sup>Note 6</sup>	660	7,447	14,530	4,943
5161	A transitional housing project at Yuen Long	Supply and installation of fire rated boards, metal and steel works	Residential	Public	Customer Group F	Main contractor	November 2021	July 2022	22,680	6,913	-	-	25,695	1,007
5024	Temporary quarantine facilities at Penny's Bay	Supply and installation of fire resistant structural frame of corridors and staircases	Public infrastructure and facilities	Public	Customer Group E	Main contractor	July 2020	October 2020	12,864	10,015	-	21,122	1,737	-



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Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <sup>Note 1</sup>	Capacity of customer in the project	Commencement date <sup>Note 2</sup>	Practical completion date <sup>Note 3</sup>	Original contract sum <sup>Note 4</sup>	Variation order value/adjustments	Revenue contribution <sup>Note 5</sup>			
											Year ended 30 June		Four months ended 31 October 2022	
											2020	2021	2022	2022
											HK\$'000	HK\$'000	HK\$'000	HK\$'000
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Public infrastructure and facilities	Public	Customer Group A	Main contractor	June 2019	July 2022	6,271	12,292	9,680	5,761	2,657	440
4692	Public rental housing development at Chai Wan	Supply and installation of fire rated metal doors, steel gates, glazed windows and metal works	Residential	Public	Customer Group A	Main contractor	November 2019	May 2022	12,295	3,384	472	5,978	7,144	2,085
4938	A commercial building redevelopment at Tsim Sha Tsui for a new complex including a hotel on upper levels	Supply, installation and removal of temporary steel platform for fire rated protection	Commercial	Private	Customer N Customer P	Subcontractor Subcontractor	October 2020	June 2022	8,399 5,100	2,086 -	- -	3,000 5,100	7,485 -	- -
					<b>Total:</b>				<b>13,499</b>	<b>2,086</b>	<b>-</b>	<b>8,100</b>	<b>7,485</b>	<b>-</b>
4253	Residential buildings at Lohas Park	Supply and installation of fire rated boards for steel structures	Residential	Private	Customer Group F	Main contractor	January 2018	November 2021	7,850	13,992	7,358	2,718	3,770 <sup>Note 5</sup>	-
5324	Residential development at Hiram's Highway in Sai Kung	Supply, fabrication and installation, of fire rated steel platform	Residential	Private	Customer P	Subcontractor	January 2022	June 2022	15,800	-2,210 <sup>Note 6</sup>	-	-	13,590	-
4686	A commercial building at Quarry Bay	Supply and application of fire protection coating and supply and installation of supporting steel structure frames	Commercial	Private	Wing Kei Structural Metalworks Company Limited	Subcontractor	November 2019	July 2022	5,670	3,329	27	2,306	5,132	1,535
					Customer R Customer Group F	Subcontractor Main contractor			- 2,880	152 957	- -	- -	152 3,722	- 94
					<b>Total:</b>				<b>8,550</b>	<b>4,418</b>	<b>27</b>	<b>2,306</b>	<b>9,006</b>	<b>1,629</b>
4433	A high speed rail link at West Kowloon	Design, supply and installation of fire rated enclosure	Public infrastructure and facilities	Public	Customer Group D	Main contractor	November 2017	April 2020	36,480	55,052	12,160	-	-	-
4128	Public rental housing development at Shek Kip Mei Estate	Supply and installation of fire rated boards, pipe sleeve for parapet and fire resistant painting to footbridge and metal works	Residential	Public	Customer Group A	Main contractor	June 2018	December 2021	13,478	8,683	7,723	1,064	1,000	212

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Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <sup>Note 1</sup>	Capacity of customer in the project	Commencement date <sup>Note 2</sup>	Practical completion date <sup>Note 3</sup>	Original contract sum <sup>Note 4</sup>	Variation order value/adjustments	Revenue contribution <sup>Note 5</sup>			
											Year ended 30 June		Four months ended 31 October 2022	
											2020	2021	2022	2022
4069	Home Ownership Scheme flats at Kai Tak	Supply, delivery and installation of fire rated enclosures, false ceiling and stainless steel doors	Residential	Public	Customer Group A	Main contractor	September 2016 <sup>Note 6</sup>	July 2021	20,105	7,814	8,001	190	-	
4448	Public rental housing development in Fanling	Design, supply and installation of fire rated boards and fire protection enclosure	Residential	Public	Customer Group F	Main contractor	August 2020	June 2022	6,500	1,331	-	3,258	387	
4966	Office tower development at an airport in Hong Kong	Design, supply and installation of fire hose reel, door set for fire services, metal security gate and metal works	Public infrastructure and facilities	Public	Customer J	Main contractor	December 2020	August 2022	5,606	1,843	-	2,287	4,707 <sup>Note 5</sup>	
4193	A museum at West Kowloon	Supply and installation of Gypsum ceiling works	Public infrastructure and facilities	Public	Customer Group E	Main contractor	September 2017	April 2021	6,787	939	6,552	844	-	

Notes:

- (1) For the purposes of the above table, the customer identified for the project is either (i) our sole customer of the project; or (ii) for Projects 4686, 4876, 4979 and 4938 where we had more than one customer of the project. Customer Group A, Goldtech Construction Engineering Limited, Customer Group C, Customer Group D, Customer Group E, Customer Group F, Customer Group H and Wing Kei Structural Metalworks Company Limited were among our five largest customers in each year/period during the Track Record Period. For further details on their background, please refer to the paragraph headed “Our customers — Five largest customers during the Track Record Period” in this section. Based on available public information, each of Brilliant (E&M) Engineering Limited, Customer K, Customer P, Customer R and Customer V is a private construction company in Hong Kong; Customer J is a construction contractor company in Hong Kong, being a part of a group of companies with a holding company listed on Euronext Paris; and Customer N is a subsidiary of a company listed on the Stock Exchange.
- (2) The commencement date refers to the date of commencement based on when we began incurring expenses for the project as set out in payment applications.
- (3) Unless otherwise specified, this refers to the date when our works have practically completed with reference to the last payment certificate and we ceased to have incurred any cost for over two months for the relevant project subsequently.
- (4) The original contract sum in respect of each project represents the contract sum stated in the contracts and if different, as stated in the payment certificates. It does not take into account subsequent adjustments due to variation orders.
- (5) The revenue derived from each customer was determined based on the stage of completion of the contract using input method in accordance with HKFRS 15. For Projects 4659, 4253 and 4966, the revenue for the year ended 30 June 2022 reflected certain adjustments to the amount previously recognised based on the final amount certified or otherwise agreed with our respective customers for such projects.

## BUSINESS

- (6) The negative amount of variation orders and other adjustments for (i) Project 4806 was mainly because our customer no longer required us to perform certain works for a cabin on-site; and (ii) Project 5324 was mainly because our customer no longer required us to perform certain dismantling and removal works in relation to fire related steel platform as originally agreed. Such adjustments have been reflected in our revenue recognised for this project for the Track Record Period.
- (7) The above projects were all obtained by direct invitation for tender.
- (8) Customer Group H includes subsidiaries and majority-interested joint venture of a company listed on the Stock Exchange (the "**Customer Group H Holdco**") which is principally engaged in, among others, the provision of building related contracting services for both public and private sectors. In particular, it includes a joint venture (the "**Brilliant-Customer H JV**") in which Customer Group H and another one of our customers, Brilliant (E&M) Engineering Limited, has 51% and 49% interest respectively, established specifically for the purpose of undertaking the project of a logistics centre at an airport in Hong Kong. For further details of Customer Group H and the Brilliant-Customer H JV, please refer to the paragraph headed "Our customers — Five largest customers during the Track Record Period" in this section and note 9 below, respectively.
- (9) We were informed by our customer, Brilliant (E&M) Engineering Limited, before the finalisation of the contract for Project 4876 that the customer's rights and obligations in our contract for Project 4876 would be novated to Brilliant-Customer H JV due to the intention of Brilliant (E&M) Engineering Limited to work together with Customer Group H to perform the services for the relevant project involving a logistics centre at an airport in Hong Kong. Accordingly, the customer's rights and obligations under our contract for Project 4876 were then novated to Brilliant-Customer H JV subsequently in November 2021 and after the commencement of the project. Subsequently, we were informed that the customer's rights and obligations in our contract for Project 4876 was further novated to a wholly-owned subsidiary of Customer Group H Holdco in March 2022 due to a difference in the management of the technical aspects of the project. Thus, as at the Latest Practicable Date, the rights and obligations of the customer under the relevant contract had been novated entirely to Customer Group H (other than the Brilliant-Customer H JV in which Brilliant (E&M) Engineering Limited is interested). Brilliant (E&M) Engineering Limited and Customer Group H each confirmed that there were no disputes between them in relation to the above arrangements. To the best of the knowledge, information and belief of our Directors, except for the business relationship in the usual and ordinary course of business and the forming of Brilliant-Customer H JV by Brilliant (E&M) Engineering Limited and Customer Group H specifically for the purpose of undertaking the project of a logistics centre at an airport in Hong Kong, there was no other relationship between them. To the best of the knowledge, information and belief of our Directors, except for business relationships in the usual and ordinary course of business, Brilliant (E&M) Engineering Limited and Customer Group H do not have any other past or present relationships (family, business, employment, trust, financing or otherwise) with our Group, our Shareholders, our Directors or senior management of our Group, or any of their respective associates. Up to the Latest Practicable Date and subject to the final account, Brilliant (E&M) Engineering Limited had settled all outstanding amounts payable to us in relation to Project 4876 and Customer Group H (which includes the Brilliant-Customer H JV) had an aggregate outstanding amount of approximately HK\$6.5 million payable to us in relation to Project 4876 being retention receivables for this project.

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### Variation orders for major completed projects

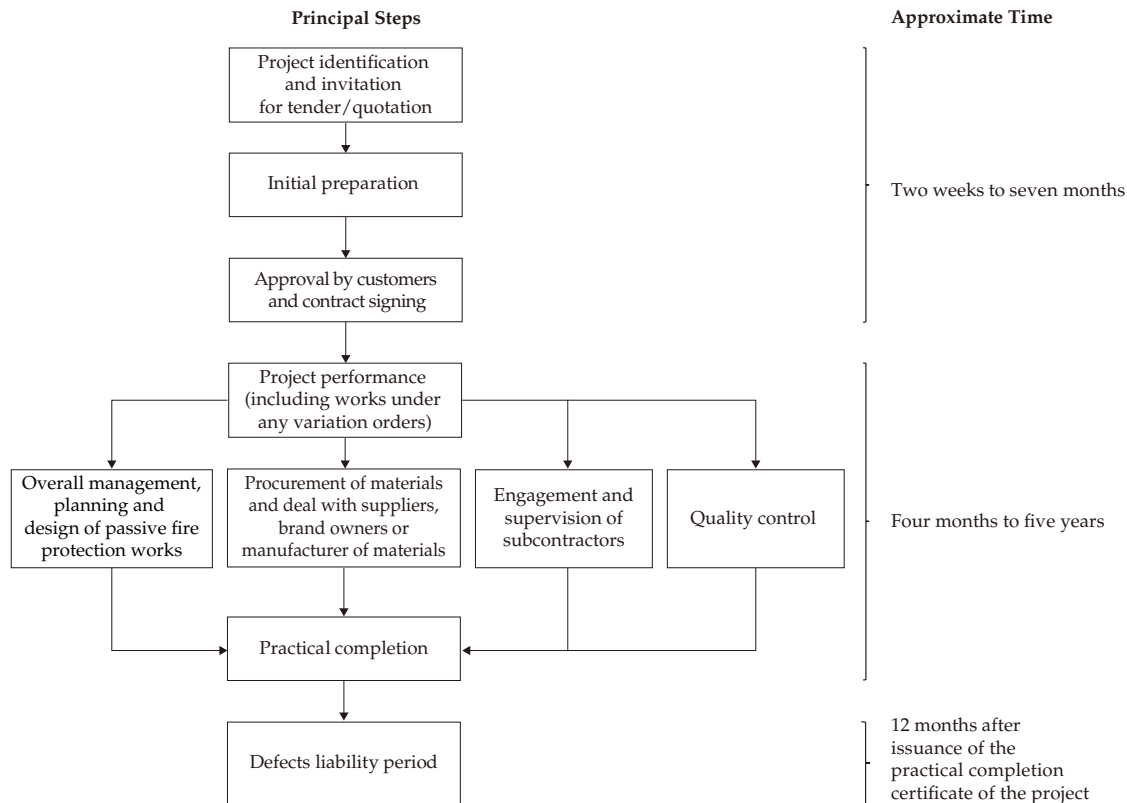
Although variation orders are not guaranteed and are based on our customers' request, during the Track Record Period, we had variation orders for most of the abovementioned major completed projects mainly due to the following reasons:

- (i) according to the Industry Report, variation orders are not uncommon in the passive fire protection works industry because the initial scope of and designs relating to the passive fire protection works, which are determined at the early stages of a project, are often revised during the implementation in response to the changes in the design and other construction works in the projects, project conditions and the sequence of construction works. For example, changes in the design and other construction works may require additional passive fire protection works where there is an increase in the size and complexity of the project, where remedial works are needed, and/or when completed passive fire protection works must be redone to accommodate such changes; and
- (ii) we had large-scale projects during the Track Record Period which tend to have more variation orders or variation orders with a higher contract value considering, among other reasons, the large size and greater complexity of such projects increase the likelihood of changes in the original designs or works to be reperformed of such large-scale projects.

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**OPERATION FLOW**

The following diagram summarises the principal steps of our operation flow for our typical projects:



*Note:* The above time periods are for reference only. The time taken for submission of tender or quotation and award of contract is affected by the respective customer’s internal approval process and the progress of the projects including whether there are any delays. Furthermore, the duration for projects varied significantly based on (i) the size, complexity and requirements of individual projects; and (ii) whether subsequent variation orders and modifications are required.

**Identifying new projects and invitations for tender or provide quotations**

Given our long established history in Hong Kong and our proven track record, we are able to obtain new projects from customers through invitations to tenders, direct invitations for quotations and referrals. We will also monitor the results of public tenders, such as on the websites of certain governmental bodies and private entities, in order to identify and approach the relevant main contractors with awarded projects for new business opportunities. As our customers are mainly main contractors and subcontractors, typically the tender process or request for quotation occurs after our customers are awarded with the project. Afterwards, they will request their selected subcontractors such as us for formal quotation or they conduct their own tender process. Depending on the customers’ internal approval process, the tender may involve multiple rounds of interviews with ongoing discussions on potential technical issues and how to solve them.

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### Initial preparation, approval by customers and contract signing

Once we identify such projects, our management and other supporting staff will prepare relevant quotations or tender documents, liaise with our customers to finalise our engagement and gather available information including (i) project specifications including location, types of services required, types of passive fire protection materials required, work schedule; and (ii) contract sum and payment terms. During this initial preparation stage, our management and other supporting staff are responsible for preparing a materials list and obtaining preliminary quotations from our sub-contractors so we can make our own cost assessment for the project. If the potential projects are considered attractive and applying for them is consistent with our tender strategy, we will undergo any relevant tender process and relevant customers' approval process to obtain the project.

For contracts awarded through tender, we are typically notified of the award to us through a letter of award, letter of intent or a signed quotation. We then begin making preliminary preparations for our project and finalising the terms of the formal contract for the projects. For further details of major terms of the contracts with our customers, please refer to the paragraph headed "Our customers — Major terms of contracts with customers" in this section. For contracts involving a quotation submission, our customers may simply sign on the quotation as an indication of acceptance.

During the Track Record Period, most of our revenue was derived from projects obtained through tender. Our current tender strategy is to focus on tenders with our major customers with a good reputation in the industry in order to maintain our relationship with them and develop attractive new business opportunities. The following table sets forth the number of contracts for which we have submitted tenders, the number of contracts awarded and the success rate during the years/period indicated:

	Year ended 30 June			Four months ended 31 October 2022	Period from 1 November 2022 to the Latest Practicable Date
	2020	2021	2022		
Number of contracts for which we have submitted tenders	196	183	211	48	87
Number of contracts awarded <sup>Note 1</sup>	23	30	16	1	3
Amount of aggregate original contract sum for the contracts awarded (HK\$'000) <sup>Note 2</sup>	151,787	200,619	232,559	12	10,270
Success rate (%) <sup>Note 1</sup>	11.7	16.4	7.6	2.1	3.4

*Notes:*

- (1) In the above table, success rate for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.
- (2) The original contract sum does not take into account the contract sum under the supplemental agreement(s) (if any).

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In deciding which contracts to submit tenders for, we take into account not only the attractiveness of the terms of the relevant project but other benefits for tendering such as maintaining good relationship with specific customers, particularly if the tender is by their invitation, maintaining our presence in the market, and being informed of the latest market developments and pricing trends which are useful for tendering for contracts in the future. However, in preparing our tender proposals, we take into account our pricing policy and our available resources at the relevant time with reference to our contracts which may impact the competitiveness of such proposals. Accordingly, we submitted tenders for a relatively large number of contracts with varying levels of competitiveness which contributed to the level of and fluctuations in our tender success rates during the Track Record Period. The tender success rate in our industry in general ranged from approximately 10% to 30% according to the Industry Report, and therefore our tender success rate was within the range of the tender success rate in our industry for the years ended 30 June 2020 and 2021.<sup>Note</sup> In relation to our relatively lower success rate for the year ended 30 June 2022 and the four months ended 31 October 2022, this was mainly because we were awarded fewer contracts as tenders we submitted were less competitive in general compared to prior years/periods with the limits to our available financial resources and workforce. Our executive Directors are not aware of any change in the solicitation of bids, margin expectations and pricing by our Group's five largest customers for each year/period during the Track Record Period due to our less competitive bids submitted during the aforesaid periods.

Besides, during the Track Record Period, we shifted our focus from smaller projects to those with larger contract sums, which could generate more revenue. This is evidenced by the decrease in the number of tenders awarded and the tender success rates, but an increase in the aggregate original contract sum for the year ended 30 June 2022, as compared to the previous year. The amount of aggregate original contract sum for the contracts awarded grew continuously from approximately HK\$151.8 million for the year ended 30 June 2020 to HK\$200.6 million and HK\$232.6 million for the year ended 30 June 2021 and 2022, respectively.

*Note:* Frost & Sullivan calculated the tender success rates for the passive fire protection works industry based on its research and with reference to the tender success rates disclosed by Hong Kong-listed companies that are principally engaged in active fire protection industry in Hong Kong. In considering that the tender success rates for the active fire protection works industry in Hong Kong are reliable indicators of the tender success rates for the passive fire protection works industry in Hong Kong, Frost & Sullivan noted that both active fire protection works and passive fire protection works have a number of similarities, such as (i) they are considered as specialist works; (ii) both of them are required in the construction, renovation and maintenance of buildings and other facilities; (iii) the demand of active fire protection works and passive fire protection works is generally derived by the similar group of customers and market drivers; (iv) they are both included in fire safety provisions, as defined in the "Code of Practice for Fire Safety in Buildings 2011" published by the Buildings Department, which refers to the installations, equipment, systems, building elements or methods used in a building to achieve the fire safety objectives; and (v) they both entail the installation, maintenance, alteration and addition of systems and equipment, materials and components that prevent fire development and spread in a building. Given the above similarities and consistent with its research, Frost & Sullivan considered the tender success rates of the active fire protection works industry in Hong Kong to be comparable to and indicative of the tender success rates of the passive fire protection works industry in Hong Kong.

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The number and contract sum of contracts awarded for the four months ended 31 October 2022 was low mainly because we submitted less competitive tenders, and there was not many sizeable projects suitable for bidding during this short four-month period. During the four months ended 31 October 2022, we submitted only one tender for a contract with tender amount over HK\$25.0 million whereas for the years ended 30 June 2020, 2021 and 2022, we submitted three, seven and 13 tenders for contracts with a tender amount over HK\$25.0 million, respectively.

Subject to the complexity of the project, we normally complete our tender or quotation proposal within two weeks. If there is a tender process, results may vary based on the type of customer and complexity of the tender. Accordingly, the period from the identification of a potential project to its award date varies and is generally around two weeks to seven months. Therefore for those tenders submitted for the period from 1 November 2022 to the Latest Practicable Date, the tender results have not been released for many tenders as at the Latest Practicable Date, and the tender success rate for the period from 1 November 2022 to the Latest Practicable Date may subsequently increase as our Group may be notified of new contract(s) awarded for tenders submitted during this period.

### Project performance

In relation to project performance, we have established project teams for overseeing and handling different aspects of our projects. Our project teams generally include project managers and relevant support team members with responsibilities as detailed below:

<u>Position</u>	<u>Main responsibilities</u>
<i>Project managers</i>	Our project managers and assistant project managers are responsible for overall project management and coordination including planning and monitoring the implementation and progress of projects, ensuring issues are promptly addressed and provide guidance and directions to support team members and workers of subcontractors and preparing detailed reports.
<i>Support team members</i>	<p>Our support team members include site foremen, engineers, quantity surveyors, draftsmen and site agent. Set out below are some general duties performed by such supporting team members:</p> <p>Our site foremen are mainly responsible for supervising and monitoring ongoing project, assisting project managers in managing our project and site progress, and ensuring the quality of services and completion of the works within the agreed work schedule.</p>



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### Position

### Main responsibilities

Our engineers mainly act in a support role in projects including testing and follow-up on the production of necessary materials. They will help prepare and maintain any technical documentation for projects and coordinate with various team members.

Our quantity surveyors are mainly responsible for preparing and monitoring project budgets, ensuring proper budget controls and conducting costs analysis. They will help estimate the value of sub-contracts, check the payment applications and accounts with our subcontractors. Our quantity surveyors will also review documentation relating to variation orders and our contracts with subcontractors.

Our draftsmen are mainly responsible for working with the architects and other design teams and provide advice on appropriate fire safety designs as well as preparing detailed designs and drawings relating to the above.

Our site agents are mainly responsible for liaising with the main contractors.

As part of our project performance, our project teams will assist in the overall management, planning and design of the passive fire protection works. In relation to our design work, we will consider relevant fire safety requirements, recommend suitable alternative passive fire protection materials and provide more detailed designs given our familiarity and expertise in this area. Our project teams will typically provide detailed drawings and designs with the recommended materials to be used in the relevant project for our customers' approval. Afterwards, our project teams will begin making necessary preparations including engaging suppliers (including subcontractors) which is normally conducted through direct engagement with suppliers on our approved list of suppliers. We engage subcontractors in carrying out all of the more labour intensive works including installation and application of passive fire protection materials and components. For further details of the reasons for subcontracting and the arrangements with such suppliers, please refer to the paragraph headed "Our suppliers — Reasons for subcontracting" in this section. In order to prevent illegal foreign workers from being used, we require our subcontractors to provide us with a list of their workers with supporting documents, such as their Hong Kong identification cards. We will also procure passive fire protection materials and other materials from our suppliers of materials according to the requirements of the contracts and on an as needed basis. Our suppliers are normally responsible for the delivery of such materials to the project site.

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We will monitor and supervise the works conducted by our subcontractors and conduct other measures to ensure the quality of our services (for further details, please refer to the paragraph headed "Quality control" in this section). After the installation and application of the passive fire protection materials to our satisfaction, we will issue a certificate(s) to our customers with the endorsement from our suppliers of materials (or in certain cases, the relevant brand owner or manufacturer of the product) confirming the proper application of the specified passive fire protection materials in the project.

During the project performance stage, we will make progress payment applications to our customers which sets out the amount of work done and its corresponding value, usually on a monthly basis. The application is subject to examination by our customers or their representatives and the issuing of a progress payment certificate based on such examination approving the amount of works eligible for payment under the application. Depending on the terms of the relevant contracts, our customers are generally required to settle the payments to us within 14 days to 60 days from the date of invoice. Furthermore, a certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period.

### **Variation orders**

During the course of the project, our customers may place variation orders pursuant to the relevant terms of the contract or as additional requests. Variation orders may involve additions, omissions, substitutions, alternations, changes in quality, form, character, kind, position, dimension, level or line, deletion of any part of works or reduction in quantities of any items of the original scope of work and change the original contract sum. We will discuss with our customers to mutually agree on the sum of variation orders to be added to or deducted from the original contract sum primarily with reference to the schedule of unit rates provided in the relevant contract. The principal contract terms and settlement in respect of the variation orders are generally in line with the terms of the main contract.

### **Practical completion**

For new developments and sizeable projects, our contracts with our customers may be cross-referenced to the terms of the relevant contracts between the main contractors with the project owners. Provisions within our contracts with our customers may also refer to the status of the overall construction project. Accordingly, our projects may continue even after we have substantially completed all the passive fire protection works as originally agreed with our customers such as when the main contractors and other contractors have not yet completed the various other types of construction works or where there are delays in the underlying construction projects. The practical completion certificates typically issued by the project owners (or their representatives) acknowledging completion of all works for such projects and the determination of the final accounts between such parties and the main contractor for the projects may occur after a significant period after we have substantially completed all of our originally agreed passive fire protection works.

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Given the above, in particular the possibility of rectification works required by our customers and additional works from variations orders prior to final completion of the projects, the determination of practical completion may require an assessment of various factors by our Group's management and with reference to the work schedule and extensions discussed with our customers. In general, we regard our projects as practically completed when our works have substantially completed as signified by the last payment certificate received by us and that the relevant project not incurring any cost for over two months subsequently.

According to the Industry Report, relevant authorities in Hong Kong would inspect or assess the compliance of a construction project with applicable laws, rules and regulations upon its completion. In respect of the fire safety requirements, the registered fire service installation contractors should be ultimately responsible for assisting fire service installations and equipment owners in ensuring all fire service installations and equipment (including both the active fire protection works and passive fire protection works) in building projects are in efficient working order and in compliance with the requirements as set out by the Fire Services Department. During such inspections and assessments by the Fire Services Department, passive fire protection services providers will typically work with customers, the registered fire service installation contractors and/or other responsible parties involved in the project which serve as the primary contact person(s) with the Fire Services Department (for further details of such assessment, please refer to the section headed "Industry overview — Overview of passive fire protection works market — Introduction of passive fire protection works and differences with active fire protection works" in this document). Our executive Directors confirmed that so far as they are aware, none of our projects during the Track Record Period failed the inspections and assessments of fire safety standards by the Fire Services Department upon project completion as a result of the passive fire protection works conducted by our Group.

### **Defect liability period**

Under our contracts with customers, we are generally required to provide repair and rectification works to our customers during the defect liability period, which is generally for 12 months after issuance of the practical completion certificate of the project. During the defect liability period, we will be responsible for, at our own expense, rectifying any defects caused by either defective materials as well as defective works provided by our Group. Upon the end of the defect liability period, our customer will generally release all the retention monies to us. Our Group was not subject to any claims for defect liability from our customers during the defect liability period of our projects during the Track Record Period.

## **PRICING POLICY AND CREDIT MANAGEMENT**

### **Pricing policy**

Generally the pricing of our services is on a cost plus basis (based on an initially estimated cost plus a target margin). Our pricing policy takes into account the following major factors: (i) scope of services, specifications by customers and complexity of the projects; (ii) project location and area of coverage; (iii) work schedule; (iv) our relationship

## BUSINESS

with the customer; (v) the estimated costs of procuring passive fire protection materials and engaging subcontractors; (vi) prevailing market rates; and (vii) our budget and determination of a reasonable profit margin.

Thus, when determining the reasonable profit margin as part of our Group's tender submission, we may determine a higher or lower gross profit margin for projects based on the above factors such as accepting (i) a relatively lower profit margin for projects at a landmark location and thus potentially beneficial for building our brand recognition or where the works required were relatively simple; or (ii) a relatively higher profit margin for projects involving a relatively short-time line for completion of certain works or the whole project as required by our customers (for further analysis, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this document).

### **Payment terms and credit management**

We decide the credit period granted to our customers on a case-by-case basis by taking into account such factors as the terms of the contract, customer's background, credit-worthiness and our business relationship. Typical credit period granted by us during the Track Record Period were 14 days to 60 days from the date of the invoice. We normally send monthly payment applications to our customers and they settle by way of cheques or bank transfer in HK\$.

Our finance team and quantity surveyors work together to monitor the budget of each project and identify cost-overrun above our original estimates. In the event of potential overrun, we will investigate and devise means to prevent or minimise such overrun. Our executive Directors confirmed that we did not have any loss-making projects for projects completed during the Track Record Period.

Our finance team is responsible for following up with quantity surveyors to monitor overdue balances and our receivable balances on an ongoing basis for collection from customers and also to determine whether provision for net impairment loss on trade receivables should be made. If considered necessary, we will commence legal proceedings against such customers after the payment remains outstanding over a substantial period of time.

### **QUALITY CONTROL**

We are dedicated to maintaining a high quality in our services given the importance of our reputation in attracting new business opportunities and we have established a quality management system, which has been accredited with ISO 9001 certification since 2014. To ensure the quality of our services, we have adopted the following major quality control measures:

- ***Quality management and regular inspection:*** Our project teams are responsible for the quality management of specific projects and ensuring the proper implementation of our procedures and plans, particularly checking the compliance with any standards required by our customers and monitoring the service quality in our projects.

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- ***Detailed procedures and record keeping:*** Under our quality management system, we maintain detailed procedures including quality manual, quality procedures and quality plan as well as template work instructions and forms to maintain proper record keeping on the progress of our works, issues identified from inspections and testing and the status of rectifications to ensure timely completion according to work schedule and prompt updates to our management and our customers.
- ***Careful selection of suppliers (including subcontractors):*** We typically engage suppliers (including subcontractors) from our list of approved suppliers. We add or remove suppliers to or from our list based on their reputation, quality and general terms provided including their general prices. In the selection of suppliers of materials, we particularly focus on the range of products supplied, the specification and acceptability and environmental friendliness of such products, and the timeliness of their delivery. In the selection of subcontractors, we particularly focus on their experience and expertise in the use of a variety of passive fire protection materials, their available resource and their past performance.
- ***Quality control over materials supplied:*** Before delivery of materials to the project site, we will typically request for and review the relevant test reports from recognised laboratories as procured by our suppliers of materials confirming that the fire resistance performance of the specific brand(s) of materials was tested and satisfied the applicable fire resistance performance standards. Where appropriate, we will also separately engage laboratories or external testing companies to conduct various tests on materials supplied such as water penetration, pressure drop, tensile and hardness to satisfy ourselves with the quality of the products. If the quality of the products supplied is not up to our standards, we will request our suppliers of materials to replace and provide suitable substitutes.
- ***Control over subcontractors:*** Our operation team is responsible for drafting method statements for each project so front-line workers (including our subcontractors' workers) are aware of our scope of services for the specific project, the passive fire protection materials to be used, proper handling and application procedures for such materials such as reminder on pre-application mixing and the specific thickness requirements for the proper application of certain fire resistant paints and the need for uniform application across surfaces. It also includes lists of expected equipment to be used and proper safety warnings and protocols. Our foremen and other members of our project management team will conduct inspections to check the works conducted by such workers for compliance with our specifications such as by using a handheld coating thickness gauge after the fire resistant paint is applied to ensure proper thickness.

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- **Complaint management process:** we maintain on-going communications with our customers or their representatives to keep them informed of project status and to address complaints and obtain feedback. During the Track Record Period, we did not receive any written complaints or other complaints which had a material effect on our business operations from our customers.

### SALES AND MARKETING

Given our long established history in Hong Kong, our proven track record, strong relationship with our customers and our relatively recent efforts to build our brand and attract potential customers through our provision of passive fire protection information services since 2020, we did not conduct significant marketing or promotional activities during the Track Record Period.

### SEASONALITY

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality given that we have projects throughout the year, projects that allow us to apply for interim progress payments, generally on a monthly basis, and our works are generally conducted indoors and thus largely unaffected during typhoon season.

### OUR CUSTOMERS

#### Characteristics of customers

Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In certain cases, we are directly engaged by the relevant private owners of the properties. Our five largest customers in each year/period during the Track Record Period included property developers and construction contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges.

#### Number of customers served

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we served 49, 46, 41 and 28 customers, respectively. As our direct customers are principally main contractors and subcontractors of projects, we may be engaged by them for a variety of different public sector and private sector projects involving different project owners. Due to the above, we experienced a certain degree of customer concentration during the Track Record Period. However, as we are engaged on a project by project basis, we typically still need to tender for each new project from such customers.

## BUSINESS

### Customer concentration

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our total revenue, respectively, while our five largest customers in each year/period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively. Our customer concentration for the four months ended 31 October 2022 was particularly high with the largest customer, Customer Group H, accounted for 51.3% of our total revenue mainly because we generated significant revenue of approximately HK\$67.3 million from Project 4876, a sizeable commercial project involving a logistics centre at an airport in Hong Kong, which accounted for approximately 51.3% of our total revenue for the period. However, our executive Directors believe that the identities of our largest customers change depending on the identity and status of our sizeable projects from time to time and we did not significantly rely on any individual customer. Accordingly, our largest customer was different for each financial year during the Track Record Period. Customer Group H was one of our top five customers for the year ended 30 June 2022 and the four months ended 31 October 2022 only, therefore our executive Directors consider that there is no reliance on any single customer during the Track Record Period.

### Five largest customers during the Track Record Period

Set out below is a breakdown of our total revenue from our five largest customers in each year/period during the Track Record Period and their respective background information:

*For the year ended 30 June 2020*

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque/ Bank transfer	32,876	21.9
Goldtech Construction Engineering Limited	Subcontractor	2017	Passive fire protection works	30 days	By cheque	20,696	13.8
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	19,412	12.9
Customer Group D	Main contractor	2017	Passive fire protection works	35 days	By cheque/ Bank transfer	15,769	10.5
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	15,247	10.2
						104,000	69.3

**BUSINESS**

*For the year ended 30 June 2021*

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque/ Bank transfer	50,823	27.3
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	30,950	16.6
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque/ Bank transfer	18,830	10.1
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	13,832	7.4
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	11,182	6.0
						<b>125,617</b>	<b>67.4</b>

*For the year ended 30 June 2022*

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque/ Bank transfer	53,239	22.1
Customer Group H	Subcontractor	2018	Passive fire protection works	30 days	By cheque/ Bank transfer	32,424	13.5
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	25,194	10.5
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	17,774	7.4
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	16,437	6.8
						<b>145,068</b>	<b>60.3</b>



## BUSINESS

For the four months ended 31 October 2022

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						<i>HK\$'000</i>	%
Customer Group H	Subcontractor	2018	Passive fire protection works	30 days	By cheque / Bank transfer	67,253	51.3
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque / Bank transfer	24,765	18.9
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	11,764	9.0
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque / Bank transfer	5,081	3.9
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque / Bank transfer	4,973	3.8
						<u>113,836</u>	<u>86.9</u>

Notes:

- (1) Customer Group A includes subsidiaries and a joint venture of two subsidiaries of a company listed on the Stock Exchange (the "Customer Group A Holdco") which is principally engaged in construction and property businesses, with operations spanning Hong Kong, Macau and the Mainland China. Based on the latest annual results announcement of the Customer Group A Holdco, its total turnover amounted to over HK\$6 billion for the year ended 31 December 2022.
- (2) Goldtech Construction Engineering Limited is a construction contractor company in Hong Kong incorporated in 2015 and engaged in, among others, metal works and minor works. According to public records, Goldtech Construction Engineering Limited is registered in the Register of Subcontractors of the Construction Industry Council in the trades of shutters/doors fabrication and installation — fire rated door, metal work, other finishing trades and components — dry wall system, and renovation and fitting-out.
- (3) Customer Group C includes subsidiaries of a company listed on the Stock Exchange (the "Customer Group C Holdco") which is principally engaged in (i) provision of structural engineering works; (ii) supply and installation of building material products; and (iii) trading of building material products. Based on the latest annual report of the Customer Group C Holdco, its revenue amounted to over HK\$0.4 billion for the year ended 31 March 2022.
- (4) Customer Group D includes subsidiaries of a company listed on the Stock Exchange (the "Customer Group D Holdco") which is principally engaged in civil engineering works in Hong Kong and the PRC. Based on the latest annual results announcement of the Customer Group D Holdco, its revenue amounted to over HK\$12 billion for the year ended 31 December 2022.
- (5) Customer Group E includes subsidiaries of a construction and engineering contractor headquartered in Hong Kong which is a joint venture owned by as to 50% each by (i) a wholly-owned subsidiary of a company listed on the London Stock Exchange, Singapore Exchange Limited and the Bermuda Stock Exchange; and (ii) a company listed on the London Stock Exchange.

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- (6) Customer Group F includes subsidiaries of a company listed on the Stock Exchange (the "**Customer Group F Holdco**") which is principally engaged in property development and investment, development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance, and other businesses (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses). Based on the latest annual report of the Customer Group F Holdco, its revenue amounted to over HK\$68 billion for the year ended 30 June 2022.
- (7) Wing Kei Structural Metalworks Company Limited is a construction contractor company in Hong Kong incorporated in 1999 which is principally engaged in the construction of steel structures in Hong Kong. According to public records, Wing Kei Structural Metalworks Company Limited is registered in the Register of Subcontractors of the Construction Industry Council in the trades of structural steelwork.
- (8) Customer Group H includes subsidiaries and majority-interested joint venture of Customer Group H Holdco, a company listed on the Stock Exchange which is principally engaged in the trading of plastic and chemical products, the provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau, distribution of aviation system and other hi-tech products, property holding and development and investment holding. Based on the latest annual results announcement of the Customer Group H Holdco, its revenue amounted to over HK\$5 billion for the year ended 31 December 2022.

The five largest customers of our Group in each year/period during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group in each year/period during the Track Record Period.

To the best of the knowledge, information and belief of our Directors, except for business relationship in the usual and ordinary course of business, none of our Group's customers (including their shareholders, directors, senior management or any of their respective associates) during the Track Record Period have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

## BUSINESS

### Major terms of contracts with customers

As most of our projects were obtained by tender, the terms of contracts with our customers may vary according to the terms of the tender and further negotiations with our customers. Generally, the major terms of the contracts with customers are as follows:

*Scope of works*                      The contracts normally set out the scope of services to be carried out by our Group and the project specifications or requirements. We are generally required to also procure the materials used for our services and our customers may specify certain brands of materials or an acceptable alternative to them.

*Work schedule*                      As subcontractor, we have to follow the main contractor's programme of works on site and complete our works within a specified period in accordance with their specified work schedule. The contract may or may not stipulate the start date and the customer will usually notify us the time to commence work.

*Contract sum and payment terms*                      During the Track Record Period, most of our revenue for passive fire protection works is derived from contracts involving remeasurement. In contracts involving remeasurement basis, the agreed unit rates and the estimated quantities of work items are also included in the contract but the final contract sum is subject to remeasurement of the works done and our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. Even where a contract sum is specified in the contract, it may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.

Based on the amount of work completed, we make interim progress payment application to the customer which sets out the amount of work done and its corresponding value, usually on a monthly basis. The approval of such application is subject to examination by the customer or its representative and the issuing of a progress payment certificates after such examination approving the amount of works eligible for payment under the application.

During the Track Record Period, our customers may include a pay when paid clause in the contracts which allows them to pay us only after collection of payment from their customers.

*Retention money*                      A certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period.

## BUSINESS

- Defect liability period* A defect liability period is generally for 12 months after issuance of the practical completion certificate of the project. During the defect liability period, we will be responsible for, at our own expense, rectifying any defects caused by defective materials as well as defective works provided by our Group.
- Liquidated damages* The contracts usually include a liquidated damages clause stipulating that in the event we fail to complete the works within the allowed timeframe, we are required to compensate the customers by way of liquidated damages based on a daily fixed sum set out in the contract.
- Our executive Directors confirmed that (i) there was no material liquidated damages paid by our Group during the Track Record Period; and (ii) our Group did not incur liquidated damages from claims by our customers during the Track Record Period and up to the Latest Practicable Date.
- Other administrative penalties* The contracts may also include clauses stipulating situations where our customers may impose relatively small administrative penalties on us for minor deficiencies in carrying out our services such as absence of a representative at a work coordination meeting and deviation from safety practices. This amount is generally deducted from the payments to us.
- Our executive Directors confirmed that our Group incurred administrative penalties claims by our customers amounting in aggregate to less than HK\$100,000 during the Track Record Period and up to the Latest Practicable Date.
- Variation orders* Depending on the terms and conditions of individual contracts, our customers may give instructions to us to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. The value of the variations is generally ascertained with reference to the rates and prices already specified in the contract, and the total contract sum of the relevant project is adjusted accordingly.
- Insurance* Generally, it is the obligation of the main contractor of the construction project to effect all necessary insurance policies for its subcontractors. Under the contracts with our customers, we are required to report any accident or injury to our staff and our subcontractor's staff to the main contractor within a stipulated time period.

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### *Termination*

Generally, our customers may terminate the contracts by giving notice if (i) we have completely or substantially suspended our works without good cause; (ii) we have failed to carry out our work properly and diligently; or (iii) we are being liquidated. Our contracts do not generally grant us a right to terminate the contracts unilaterally.

In the event of termination of the main contract between the project owners and our customers, our contracts with our customers will be terminated correspondingly.

Our executive Directors confirmed that, during the Track Record Period, there was no claim for material liquidated damages made by our customers in respect of our passive fire protection works. Our executive Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause material liquidated damages to be imposed on us.

## OUR SUPPLIERS

### Characteristics of suppliers

The following table sets out a breakdown of our total costs of services (excluding direct labour costs) by type during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October			
	2020		2021		2022		2021		2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Subcontracting										
fees	55,497	55.1	59,661	49.3	95,509	57.6	33,612	61.7	52,330	56.8
Costs of										
materials	43,414	43.1	57,966	47.9	66,377	40.0	19,941	36.6	34,861	37.9
Others	1,814	1.8	3,361	2.8	3,868	2.4	950	1.7	4,872	5.3
<b>Total</b>	<b>100,725</b>	<b>100.0</b>	<b>120,988</b>	<b>100.0</b>	<b>165,754</b>	<b>100.0</b>	<b>54,503</b>	<b>100.0</b>	<b>92,063</b>	<b>100.0</b>

Our major suppliers during the Track Record Period were mainly subcontractors responsible for installing and applying materials, particularly passive fire protection materials, in our projects and suppliers of such materials, particularly fire rated boards, fire resistant paints, metal parts and components and precast concrete. Our five largest suppliers in each year/period during the Track Record Period were located in Hong Kong and the PRC.

## BUSINESS

We normally engage our suppliers on a project-by-project basis and select our suppliers from our list of approved suppliers through direct engagement. As at the Latest Practicable Date, we had 116 suppliers on our approved list including 76 suppliers of materials and 40 subcontractors. Our Group generally maintains multiple suppliers and subcontractors for materials and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or engaging subcontractors during the Track Record Period.

Generally, our Group's subcontracting fees are settled on a monthly basis, while purchases of materials are settled on an order-by-order basis. During the Track Record Period, our purchases were all settled in HK\$ and normally by way of cheque. Credit period offered by our major suppliers is usually 30 days to 60 days or payable upon delivery.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties or delays in performing our projects caused by material shortages or delays in the supply of materials and services that we required. Although we experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC due to the resurgence of the outbreak of COVID-19 in Hong Kong and the PRC, it did not have long-lasting material adverse impact on our operation as discussed in the paragraph headed "Occupational health and safety — Impact of COVID-19" in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation on the price of fire protection materials sourced by us that had a material adverse impact on our business, financial condition or result of operation. Given that our executive Directors consider various factors, including but not limited to the future price trends of materials and services when estimating costs and preparing our tender proposals, our executive Directors believe we can generally pass on increases in costs to our customers.

According to the Industry Report, the profitability of subcontractors engaged by passive fire protection services providers like our Group varies and is subject to the availability of labour, supply of material and the level of market competition from time to time.

### **Five largest suppliers during the Track Record Period**

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest supplier (not being subcontractor) in each year/period accounted for approximately 9.6%, 5.7%, 5.7% and 13.5% of our total costs of services (excluding direct labour cost), respectively, while our five largest suppliers (not being subcontractors) in each year/period accounted for approximately 28.0%, 22.0%, 15.2% and 25.6% of our total costs of services (excluding direct labour cost), respectively.

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Set out below is a breakdown of our total purchases from our five largest suppliers (not being subcontractors) in each year/period during the Track Record Period and their respective background information:

*For the year ended 30 June 2020*

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Hua Xin Steel Work Engineering Limited	2019	Metal parts and components	30 days	By cheque	9,672	9.6
Warwick Building	2009	Fire resistant paints, plasters and fire retardant wool	30 to 60 days	By cheque	7,065	7.0
Supplier B	2002	Fire rated boards	45 days	By cheque	4,923	4.9
Goldin Innovation Group	2016	Metal parts and components	Upon delivery	By cheque	3,478	3.5
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	3,078	3.1
					<b>28,216</b>	<b>28.0</b>

*For the year ended 30 June 2021*

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Hua Xin Steel Work Engineering Limited	2019	Metal parts and components	30 days	By cheque	6,918	5.7
Supplier D	2020	Fire resistant paints	Upon delivery	By cheque	6,645	5.5
Supplier B	2002	Fire rated boards	45 days	By cheque	5,005	4.1
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	4,540	3.8
Tanda International	2007	Fire rated boards and damper	30 to 60 days	By cheque	3,474	2.9
					<b>26,582</b>	<b>22.0</b>

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*For the year ended 30 June 2022*

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Supplier B	2002	Fire rated boards	45 days	By cheque	9,433	5.7
Supplier D	2020	Fire resistant paints	Upon delivery	By cheque	4,363	2.6
Supplier E	2015	Metal parts and components	30 days	By cheque	4,278	2.6
Supplier F	2020	Precast concrete	7 to 30 days	By cheque	3,875	2.3
Supplier G	2020	Metal parts and components	30 days	By cheque	3,322	2.0
					25,271	15.2

*For the four months ended 31 October 2022*

Supplier	Commencement of business relationship	Type of materials/ services purchased	Credit term	Payment method	Purchase amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Supplier B	2002	Fire rated boards	45 days	By cheque	12,471	13.5
Supplier H	2022	Fire resistant coating	Before delivery	By cheque	3,559	3.9
Supplier I	2019	Rental services for aerial platforms	30 days	By cheque	3,083	3.3
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	2,545	2.8
Warwick Building	2009	Fire resistant paints, plasters and fire retardant wool	30 to 60 days	By cheque	1,930	2.1
					23,588	25.6

*Notes:*

- (1) Hua Xin Steel Work Engineering Limited, Supplier E and Supplier G are private companies in Hong Kong which are engaged in supply of metal parts and components.
- (2) Supplier B and Supplier C are both private companies in Hong Kong which are engaged in the trading of fire protection materials.



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- (3) Supplier D is a subsidiary of a company listed on the Swiss Stock Exchange, which is a specialty chemicals company active in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry.
- (4) Supplier F is a private company in Hong Kong which are engaged in the supply of engineering materials.
- (5) Supplier H is a BVI company operating in Hong Kong which is a subsidiary of a company listed on the New York Stock Exchange, principally engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe, Asia and Australia. Based on the latest annual report of this listed company, its revenue amounted to over US\$22.1 billion for the year ended 31 December 2022.
- (6) Supplier I is a private company in Hong Kong which is engaged in rental and sales of aerial work platforms and scaffolding.
- (7) Tanda International is an associate of connected persons of our Company and Warwick Building and the Goldin Innovation Group are deemed connected persons of our Company (for further details of our continuing transactions after [REDACTED], please refer to the section headed "Connected transactions" in this document).

The five largest suppliers (not being subcontractors) of our Group during the Track Record Period are Independent Third Parties except for Tanda International which is an associate of our connected persons of our Company and Warwick Building and Goldin Innovation Group which are deemed connected persons of our Company (for further details of our continuing transactions after [REDACTED], please refer to the section headed "Connected transactions" in this document). Except as noted above, none of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers (not being subcontractors) of our Group during the Track Record Period. To the best of the knowledge, information and belief of our Directors, and except for business relationship in the usual and ordinary course of business and the relationships in relation to Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group, our connected persons and deemed connected persons, none of our Group's suppliers (including their shareholders, directors, senior management or any of their respective associates), not being subcontractors, in each year/period during the Track Record Period, have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

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### Reasons for subcontracting

We engage subcontractors to perform more labour intensive works such as the installation and application of the passive fire protection materials and components to enable us to control our staff costs and focus on the most crucial aspects of a passive fire protection works project, namely, (i) overall management, planning and design of the passive fire protection works; (ii) engaging and supervising subcontractors; (iii) selection and procurement of suitable materials and dealing with their suppliers of materials; and (iv) quality control for our services. According to the Industry Report, it is not uncommon for passive fire protection works contractors to further sub-contract for better resource management. Despite such delegation, we maintain control over our subcontractors and monitor the quality of the services provided. For further details, please refer to the paragraph headed "Quality control" in this section.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we incurred subcontracting fees of approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million, respectively. Please refer to the section headed "Financial information — Key factors affecting our results of operations and financial condition — Fluctuation in our costs of services" in this document for the relevant sensitivity analysis.

### Five largest subcontractors during the Track Record Period

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest subcontractor in each year/period accounted for approximately 15.7%, 6.8%, 15.8% and 22.2% of our total costs of services (excluding direct labour costs), respectively, while our five largest subcontractors in each year/period accounted for approximately 36.6%, 30.8%, 41.7% and 46.0% of our total costs of services (excluding direct labour costs), respectively. The five largest subcontractors of our Group in each year/period during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group in each year/period during the Track Record Period. To the best of the knowledge, information and belief of our Directors, and except for business relationship in the usual and ordinary course of business, none of our Group's subcontractors (including their shareholders, directors, senior management or any of their respective associates) in each year/period during the Track Record Period have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

## BUSINESS

Set out below is a breakdown of our total transactions amounts with our five largest subcontractors in each year/period during the Track Record Period and their respective background information:

*For the year ended 30 June 2020*

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	15,795	15.7
Subcontractor B	2019	Installation of fire rated boards and dampers	30 days	By cheque	6,087	6.0
Subcontractor C	2009	Installation of fire rated boards and dampers	30 days	By cheque	5,661	5.6
Subcontractor D	2020	Installation of fire rated boards	30 days	By cheque	5,100	5.1
Lik Sun Engineering (HK) Limited	2019	Supply and installation of metal parts and components	30 days	By cheque	4,197	4.2
					<b>36,840</b>	<b>36.6</b>

*For the year ended 30 June 2021*

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	8,246	6.8
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	7,870	6.5
Subcontractor B	2019	Installation of fire rated boards and dampers	30 days	By cheque	7,500	6.2
Subcontractor C	2009	Installation of fire rated boards and dampers	30 days	By cheque	6,804	5.6
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	6,790	5.6
					<b>37,210</b>	<b>30.8</b>

## BUSINESS

*For the year ended 30 June 2022*

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	26,155	15.8
Subcontractor H	2009	Application of fire resistant paints and plasters	30 days	By cheque	13,205	8.0
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	11,554	7.0
Subcontractor D	2020	Installation of fire rated boards	30 days	By cheque	11,147	6.7
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	7,004	4.2
					69,065	41.7

*For the four months ended 31 October 2022*

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	20,427	22.2
Subcontractor I	2021	Supply and installation of fire rated steel duct and fire rated damper	30 days	By cheque	8,000	8.7
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	6,673	7.2
Subcontractor H	2009	Application of fire resistant paints and plasters	30 days	By cheque	3,991	4.3
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	3,231	3.5
					42,321	46.0

*Notes:*

- (1) Subcontractor A, Lik Sun Engineering (HK) Limited and Subcontractor F are all private companies in Hong Kong which are principally engaged in the provision of metal works. Based on publicly available information, during the Track Record Period, there were certain common shareholders and directors, namely, Fung Siu Man and Kwok Kam Ying (each being Independent Third Parties) among Goldin Innovation Group (a deemed connected person of our Company and one of our five largest suppliers for the year ended 30 June 2020), Lik Sun Engineering (HK) Limited and Subcontractor F. Fung Siu Man is one of the shareholders and directors of Goldin Innovation, the sole director of Dongguan Tanda, one of the shareholders and directors of Subcontractor F. Kwok Kam Ying is one of the shareholders and directors of Goldin Innovation, one of the shareholders and directors of Subcontractor F, and was a shareholder and director of Lik Sun Engineering (HK) Limited prior to the disposal of his interest and resignation as director in September 2019.

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- (2) Subcontractor B, Subcontractor D, Subcontractor G and Subcontractor H are all private companies in Hong Kong which are principally engaged in the provision of installation, fitting-out and related construction works.
- (3) Subcontractor C is a sole proprietorship in Hong Kong which is mainly engaged in the provision of ceiling and fire protection works.
- (4) Subcontractor I is a private company in Hong Kong, which is principally engaged in fittings of fire dampers, ducts, air grilles, manufacturing products for air conditioning systems, and related engineering works.

### Major terms of contracts with suppliers

We do not typically have any long-term agreements with our suppliers and we make our purchases from suppliers by way of written agreements. However, we will enter into a master purchase agreement with the connected persons and the deemed connected persons of our Company to govern their continuing supply of certain types of materials to us upon the [REDACTED] (for further details, please refer to the section headed "Connected transactions" in this document). We have our own template agreements to be used with our subcontractors which are amended on a case by case basis based on the negotiations between us and our subcontractors and the requirements of our customers. In relation to purchases of materials or subcontracting of simple works, our agreements with the relevant suppliers are typically in the form of simple purchase orders or invoices specifying only the goods or services to be provided and the relevant prices. The major terms of our agreements with our subcontractors and suppliers of materials were as follows:

#### *Subcontractors*

##### *Scope of work*

The subcontracting agreements normally set out the scope of services and types of works to be carried out by our subcontractor according to our customers' specifications, drawings and requirements.

##### *Contract sum and payment terms*

The subcontracting agreements set out the fixed unit rates of each item set out in the bill of quantities or schedule of rate. The final contract sum may be subject to re-measurement based on the actual quantities of works done.

In general, the subcontractors are required to submit progress payment applications to us setting out the details of the completed works on a monthly basis.

During the Track Record Period, we have not adopted the "pay when paid" clauses with any of our subcontractors.

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*Arrangements for materials used* In general, the materials used are procured by us at our cost.

*Insurance* Our subcontractors are required to effect insurance for their own equipment, machineries and tools to be used in their works at their own costs.

Subcontractors are also prohibited from hiring illegal workers and required to indemnify us against any loss, damage or action arising from such non-compliance.

*Indemnity* Subcontractors are generally required to indemnify us against any loss, expense or claim arising from the failure to comply with the relevant subcontracting agreement or the relevant laws, rules and regulations by themselves and/or their employees.

*Termination* Generally, we may terminate the contracts by giving notice if the subcontractors (i) have breached the terms of the subcontract; (ii) have failed to carry out the work properly and diligently; (iii) have completely or substantially suspended the works without good cause; or (iv) are being liquidated.

### ***Suppliers of materials***

*Materials to be supplied* The purchase order normally sets out the description of the materials to be supplied by our suppliers, namely the brand, product code, technical specifications, size or volume, quantity, unit price and total amount.

*Payment terms* Our suppliers usually charge us based on the total quantity of our purchase. The credit terms offered to us generally range from payment upon delivery to 60 days from the date of invoice.

*Delivery arrangement* The purchased materials are generally delivered directly to the project sites and the transportation costs for the materials supplied are borne by our suppliers or us as agreed.

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### CONTRA CHARGE ARRANGEMENTS WITH OUR CUSTOMERS WHICH ARE ALSO OUR SUPPLIERS

Our Directors are aware that certain companies in the construction industry in Hong Kong may serve in different roles depending on the project as they provide a wide range of services to satisfy the varying needs of a construction project. During the Track Record Period, there are instances of contra charge arrangements where our customers, being contractors in the projects, may pay on our behalf for certain expenses for such projects, whereby such expenses would be deducted from their payments to us as their subcontractor in settling their contractual fees for such projects. The expenses related to certain materials, transportation and other miscellaneous expenses. During the Track Record Period, we had contra charge arrangements with our five largest customers in each year/period, specifically, Customer Group A, Customer Group C, Customer Group D, Customer Group E and Customer Group F.

Set out below is a breakdown of our transactions with such major customers which also supplied services to us or otherwise involved in the contra charge arrangements during the Track Record Period:

	Year ended 30 June						Four months ended	
	2020		2021		2022		31 October 2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Customer Group A</b>								
Revenue derived and approximate % of our total revenue	32,876	21.9	18,830	10.1	12,287	5.1	4,973	3.8
Gross profit for the revenue derived	7,369	18.3	5,027	9.2	2,932	4.7	1,279	3.7
Gross profit margin for the revenue derived (%)	22.4		26.7		23.9		25.7	
Contra charge charged and approximate % of total costs of services	5	0.0	346	0.3	2	0.0	-	-
<b>Customer Group C</b>								
Revenue derived and approximate % of our total revenue	19,412	12.9	13,832	7.4	16,437	6.8	2,146	1.6
Gross profit for the revenue derived	5,050	12.5	2,256	4.1	4,282	6.9	739	2.7
Gross profit margin for the revenue derived (%)	26.0		16.3		26.1		34.4	
Contra charge charged and approximate % of total costs of services	2,349	2.1	417	0.3	425	0.2	71	0.1
<b>Customer Group D</b>								
Revenue derived and approximate % of our total revenue	15,769	10.5	1,354	0.7	3,558	1.5	754	0.6
Gross profit for the revenue derived	5,024	12.4	557	1.0	944	1.5	205	0.6
Gross profit margin for the revenue derived (%)	31.9		41.1		26.5		27.2	
Contra charge charged and approximate % of total costs of services	-	-	-	-	3	0.0	-	-

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	Year ended 30 June						Four months ended	
	2020		2021		2022		31 October 2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Customer Group E</b>								
Revenue derived and approximate % of our total revenue	15,247	10.2	30,950	16.6	17,774	7.4	5,081	3.9
Gross profit for the revenue derived	4,125	10.2	8,745	16.0	4,242	6.9	2,168	6.3
Gross profit margin for the revenue derived (%)	27.1		28.3		23.9		42.7	
Contra charge charged and approximate % of total costs of services	76	0.1	1,324	1.0	2,304	1.3	-	-
<b>Customer Group F</b>								
Revenue derived and approximate % of our total revenue	12,451	8.3	50,823	27.3	53,239	22.1	24,765	18.9
Gross profit for the revenue derived	4,236	10.5	19,784	36.3	11,646	18.8	6,266	18.3
Gross profit margin for the revenue derived (%)	34.2		38.9		21.9		25.3	
Contra charge charged and approximate % of total costs of services	347	0.3	229	0.2	32	0.0	432	0.4

### LICENCES, CERTIFICATES AND QUALIFICATIONS

Our Directors and our Hong Kong Legal Advisers confirmed that we have obtained and currently maintain all necessary licences, certificates and qualifications required for our business operations in Hong Kong. As at the Latest Practicable Date, we held the following material licences, certificates and qualifications in Hong Kong:

Licences, certificates and qualifications	Trade code and type(s) of works/trades covered	Issuing authority	Holder	Registration number	Expiry date
Registered subcontractor	01.08 Structural Steelwork	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.05 Shutters/Doors Fabrication and Installation – Fire rated door	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.07 Painting – Others (Fire Protection Paint)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.08 Metal Work	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Enclosure)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026



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Licences, certificates and qualifications	Trade code and type(s) of works/trades covered	Issuing authority	Holder	Registration number	Expiry date
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Plaster)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered specialist trade contractor	S09 Suspended ceiling (Group 2)	Construction Industry Council	Easy Smart Engineering	C000125	16 March 2026
Registered subcontractor	02.05 Shutters/Doors Fabrication and Installation – Fire rated door	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.07 Painting – Others (Fire Protection Paint)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Enclosure)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Plaster)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered specialist trade contractor	S09 Suspended ceiling (Group 1)	Construction Industry Council	Easy Smart Maintenance	C011413	28 October 2024

Our executive Directors confirmed that we have not experienced any material difficulty in obtaining or renewing the required licences, certificates and qualifications for our business operations during the Track Record Period and up to the Latest Practicable Date.

As advised by our Hong Kong Legal Advisers, there was no legal impediment to the renewal of the above registrations by our Group as at the Latest Practicable Date.

Our executive Directors confirmed and our Hong Kong Legal Advisers advised that our services provided for projects during the Track Record Period involving the adoption of modular integrated construction method did not require us or our workers to obtain specific qualifications under the current applicable laws and regulations of Hong Kong.

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### PROPERTIES

As of the Latest Practicable Date, we did not own any properties and we leased four properties in Hong Kong, three of which are leased from each of Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, all being connected persons of our Company and the remaining one of which is leased from an Independent Third Party.

The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Landlord	Approx. size of property (sq.ft.)	Actual usage	Term	Monthly rent (HK\$)
Factory E on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Mr. Dave Ng <sup>Note</sup>	3,374.9	Workshop and warehouse	1 June 2022 to 30 June 2024	36,000 (inclusive of rates, government rent and management fees)
Factory F on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Mr. Johnny Ng <sup>Note</sup>	2,243.6	Workshop and warehouse	1 June 2022 to 30 June 2024	24,000 (inclusive of government rent and rates but exclusive of management fees)
Factory G on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Ms. Lim <sup>Note</sup>	3,372.3	Workshop and warehouse	1 June 2022 to 30 June 2024	34,000 (inclusive of government rent but exclusive of rates and management fees)
Unit A, 10/F, Ming Tak Centre, 135-137 Tung Chau Street, Kowloon, Hong Kong	An Independent Third Party	434.4	Office	1 September 2021 to 31 August 2023	15,000 (exclusive of rates and management fee)

*Note:* The following are all connected persons of our Company, for further details, please refer to the section headed "Connected transactions" in this document.

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We had no single property with a carrying amount of 15% or more of our total assets as at 31 October 2022.

On this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. 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 the requirements of Section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we registered **ES** and **EASYSMART** trademarks in Hong Kong and are applying for the registration of the trademark **ES** in additional classes. As at the Latest Practicable Date, our Group had registered "www.easysmart.com.hk" as our domain name. Please refer to the paragraph headed "Further information about the business — 2. Intellectual property rights" in Appendix IV to this document for further details of our material intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material disputes or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we had not engaged in any major research and development activity.

### EMPLOYEES

#### Employees by function

As at the Latest Practicable Date, we had 57 full-time employees (including our two executive Directors but excluding our three independent non-executive Directors), all of whom are based in Hong Kong. The following table sets out a breakdown of the number of our employees by function as at the dates indicated:

Functions	As at 30 June			As at	As at
	2020	2021	2022	31 October 2022	the Latest Practicable Date
General management	2	2	2	2	2
Project management and support	20	22	26	26	32
Quantity surveyors	8	11	10	9	9
Finance and administration	13	14	13	13	14
<b>Total</b>	<b>43</b>	<b>49</b>	<b>51</b>	<b>50</b>	<b>57</b>

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### **Recruitment policy and training**

We recruit employees, mainly through referrals and contacts made while undertaking projects and job postings on the internet. We use our best endeavours to attract and retain appropriate and suitable personnel to serve our Group. After recruiting, we provide safety training to our employees.

### **Our relationship with our employees**

Our executive Directors believe that we have maintained good relationships with our employees. Save as disclosed in the paragraph headed "Litigations and potential claims" in this section, during the Track Record Period and up to the Latest Practicable Date, there had been no complaint or claims from our employees or any labour dispute which materially and adversely affected, or was likely to have a material adverse effect on our operations.

### **Remuneration policy**

The remuneration payable by our Group to our employees includes basic salary, benefits and discretionary bonus. Our Group also makes contributions to the MPF scheme for our qualified employees in Hong Kong. Our staff costs for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 were approximately HK\$12.5 million, HK\$14.7 million, HK\$17.3 million and HK\$6.1 million, respectively.

### **Safeguards against potential conflict of interest situations involving our employees**

Our Directors believe that in certain limited circumstances, it may be acceptable for employees to be engaged in other businesses subject to (i) sufficient disclosure to our Group to allow us to properly assess the circumstances and consider if sufficient measures are in place to protect our interests; (ii) such situations do not interfere with the employees' performance of their duties or otherwise harm our business; and (iii) the employees observe their obligations to keep information received confidential and not misuse such information. Accordingly, we have not imposed a strict prohibition but instead adopted various practices and measures to identify and deal with the potential conflicts of interest based on the above requirements. To the best of the knowledge, information and belief of our Directors, none of our employees as at the Latest Practicable Date are engaged in businesses that directly competed with our Group's business.

We have adopted various measures in practice to safeguard us in such potential conflict of interest situations. For example, to ensure the terms for the purchase of materials offered by the related party suppliers are fair, during the Track Record Period, we obtained quotations from one to two other Independent Third Parties and compared the terms of the quotations from them with the terms of the quotation from the related party supplier.

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We have also adopted the following additional measures to identify and deal with the potential conflict of interest situations as described above:

- (i) we have adopted an internal control manual which provides our employees with various information including our position on such conflicts of interests situations and reminding them of their duties (a) to disclose such situations to us; (b) not to provide confidential or insider information to anyone outside our Group without proper authorisation; and (c) to avoid participating in any external activities and transactions that could interfere with the performance of their duties and responsibilities, affect their independent and objective judgment, or discredit or divert business opportunities away from our Group without the prior consent of management;
- (ii) we have revised the form of our employment contract with employees, which now includes provisions (a) prohibiting an employee from having an interest that will harm the employer's business; (b) requiring the employee to declare his/her interests in companies, especially those with businesses that might cause conflicts of interest; and (c) stating that in case of the existence of such conflict of interest, the employee must remove himself/herself away from that situation;
- (iii) we conduct background checks (e.g. obtaining business registration and annual return) on new customers and suppliers, which will further help in identifying potential conflict of interest situations;
- (iv) we require our employees to sign an annual declaration of interests confirming: (a) details of any actual or potential conflicts of interests including relevant persons/companies which they have private dealings or interests and such employees' relationship with them; and (b) that except for employment with our Group, they were not engaged in any other business except as disclosed in the declaration;
- (v) based on our Group's records of actual or potential conflicts of interests identified from the above, the management of our Group will assess the circumstances and consider whether to grant approval for the employee to be involved in the project. In such assessments, interested members of our management will abstain from the approval process and the remaining members of our management will consider: (a) the job duties of the conflicted staff; (b) the nature and extent of the conflict; (c) whether the conflict will affect the relevant staff's ability to discharge his/her duties or if the conflict will otherwise be contrary to the best interests of our Group; (d) the severity of the harm that could result from the conflict; (e) whether there are measures adopted or which could be reasonably adopted to resolve or mitigate the conflict; (f) whether to grant approval and if so, whether conditions should be imposed; and (g) whether any follow-up actions should be taken. In considering the measures which could be adopted to resolve or mitigate the conflict, our management will also seek the views of the conflicted staff to explore reasonable solutions such as the possibility of divestment/termination of the conflicting interests or the reassignment of the staff to other positions in our Group where the harm is mitigated;

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- (vi) if our Group intends to enter into a transaction in respect of any contract, arrangement, or proposal in which any of our Directors or his respective close associates has/have a material interest, the interested Director(s) shall abstain from voting at the relevant meetings of our Board in respect of such transactions and shall not be counted in the quorum; and
- (vii) if our employees fail to declare their conflicts of interests properly or mislead or deceive our Group in relation to their independence, our management will consider appropriate disciplinary actions (including issuing warning letter or employment termination).

In view of the potential conflict of interest of Mr. Johnny Ng as our senior quantity surveyor manager and his shareholding and directorship in Greatec Engineering, our Group has in place the following additional internal control measures for purchases from Greatec Engineering under the master purchase agreement between it and Easy Smart Engineering as detailed in the paragraph headed "Connected persons" and the paragraph headed "Partially exempt continuing connected transactions" in the section headed "Connected transactions" in this document, including but not limited to:

- (a) when considering purchase(s) from Greatec Engineering, our Group will obtain quotations from one to two Independent Third Parties in addition to the quotation from Greatec Engineering so as to compare the terms of the quotation of Greatec Engineering;
- (b) for any discussions and quotations obtained relating to the purchase of passive fire protection materials from Greatec Engineering and Independent Third Parties as well as for any decision to make any purchase from Greatec Engineering under the master purchase agreement, Mr. Johnny Ng will not be able to access the confidential information and will be abstained from such decision for our Group, and the purchase from Greatec Engineering will be handled by our executive Directors or other management;
- (c) our Company will review annually our list of approved suppliers, which includes Greatec Engineering, and assess if Greatec Engineering still meets our Group's criteria as an approved supplier;
- (d) our Audit Committee will review the procedures of our purchases with connected persons including Greatec Engineering annually;
- (e) the Group's employment agreement with Mr. Johnny Ng has contained a confidentiality clause requiring Mr. Johnny Ng to keep all our business information confidential and not to use, divulge and communicate any information of our Group to any person unless with the prior approval of our executive Directors, failing which, such employment agreement with Mr. Johnny Ng may be terminated;

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- (f) 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, victimization 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; and
- (g) we will ensure the purchase(s) from Greatec Engineering will be conducted on a project-by-project basis and all invoice(s)/agreement(s) for purchase(s) from Greatec Engineering will be checked by our financial controller who in turn will report to our Board on a quarterly basis to ensure that they are not endorsed by Mr. Johnny Ng.

## OCCUPATIONAL HEALTH AND SAFETY

### Our current occupational health and safety standards system

We generally work with other safety supervisors and the main contractors on site to ensure the satisfaction of safety requirements and systems established by our customers or main contractor. However, we have adopted an occupational health and safety standards system ourselves which is monitored by our project managers and site foremen on site and we continuously seek to improve our system to protect our employees and our subcontractors' employees during the course of work. Our current occupational health and safety standards system includes the following major features:

- **Safety training:** As typically required by our main contractors, a mandatory safety training course must be taken by every construction site worker in order to obtain a valid certificate (also known as "green card") before he/she is allowed to enter a construction site. We also require our workers to undergo safety training to keep themselves aware of best safety practices.
- **Provision of safety equipment:** We provide our workers with suitable safety equipment such as gloves, helmets, protective shields over the face and goggles.
- **Safety inspection and suitable warnings:** Our project managers and site foremen will conduct regular inspections on site to ensure compliance with our safety management system. We keep our workers and the workers of our subcontractors well informed of potential risks on site and of proper safety procedures through method statements for projects and safety policies provided to such workers and warning signs on site. All workers on site, including subcontractors' workers, are required to follow the general safety rules adopted by our Group and those by main contractors which are communicated to the workers.

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- COVID-19 mitigation measures:** In response to COVID-19, we have adopted a number of additional mitigation measures including: (i) requiring staff and workers to wear surgical masks both at the office and work sites; (ii) conducting mandatory body temperature checks before entering work sites; (iii) providing hand sanitiser for our office employees; (iv) requesting staff and workers to maintain personal hygiene and those with respiratory symptoms to refrain from working and to seek medical treatment promptly; (v) placing health information on COVID-19 prominently at work sites; and (vi) if any staff or workers are requested by the Department of Health of Hong Kong to be quarantined or have been confirmed to have contracted COVID-19, their respective department or project management team will be instructed to keep such occurrence on record. Any other staff or workers with close contact with such staff or workers shall also be informed.

**Accidents during the Track Record Period**

During the Track Record Period and up to the Latest Practicable Date, we recorded six accidents and none of them were fatal accidents.

The nature of the six accidents that occurred during the Track Record Period and up to the Latest Practicable Date and the nature of the injuries purportedly suffered by the injured are as follows:

<u>Nature of accident</u>	<u>Number of accident</u>	<u>Nature of purported injury</u>	<u>Number of purported injury</u>
Contact with flying object	1	Left ear drum perforation resulting in left ear hearing loss and tinnitus	1
Lost balance and fell	1	Right knee and patella fracture resulting in right knee pain, numbness, stiffness and weakness	1
Hit	1	Left ankle fracture	1
Slip, trip and fell	2	Back contusion Le fort fracture (level 1 facial fracture)	1 1
Contact with substance	1	Left eye injury	1
Total	<u>6</u>	Total	<u>6</u>

Further, during the Track Record Period and up to the Latest Practicable Date, we have a litigation that is ongoing and certain potential claims relating to such accidents as detailed in the paragraph headed "Litigations and potential claims" in this section.



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**Analysis of accident rate and lost time injuries frequency rate**

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 between our Group and the industry average in the construction industry in Hong Kong for the years/period indicated:

	<b>Industry average</b> <small>Note 1</small>	<b>Our Group</b> <small>Notes 2&amp;3</small>
<b>From 1 January to 31 December 2019</b>		
Accident rate per 1,000 workers	29.0	0.32
Fatality rate per 1,000 workers	0.157	Nil
<b>From 1 January to 31 December 2020</b>		
Accident rate per 1,000 workers	26.1	0.27
Fatality rate per 1,000 workers	0.185	Nil
<b>From 1 January to 31 December 2021</b>		
Accident rate per 1,000 workers	29.5	0.64
Fatality rate per 1,000 workers	0.218	Nil
<b>From 1 January 2022 to 31 October 2022</b>		
Accident rate per 1,000 workers	N/A <small>Note 4</small>	0.45
Fatality rate per 1,000 workers	N/A <small>Note 4</small>	Nil

*Notes:*

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.22 (August 2022) 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. Our Group's fatality rate is calculated as the number of fatal accident(s) during the year/period divided by the daily average of the construction site workers in our Group's project during the year/period.
3. The above data provided includes the employees of our Group and workers of subcontractors during the year/period indicated. For the avoidance of doubt, the above table does not include accidents (if any) which occurred after 31 October 2022 and up to the Latest Practicable Date.
4. The relevant data had not been published as at the Latest Practicable Date.

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The following table sets forth a comparison of the lost time injuries frequency rate ("LTIFR")<sup>Note 1</sup> between our Group and the industry average in the construction industry in Hong Kong for the years/period indicated:

	<b>Industry average</b> <i>Note 2</i>	<b>Our Group</b> <i>Note 3</i>
<b>For the year ended 31 December 2019</b>	10.38	5.16
<b>For the year ended 31 December 2020</b>	9.34	4.43
<b>For the year ended 31 December 2021</b>	10.57	10.39
<b>For the ten months ended 31 October 2022</b>	N/A <i>Note 2</i>	7.31

*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 industry rate according to the Industry Report was calculated based on the formula referred to in Note 1 and using statistics on the number of industrial accidents and workers in the construction industry from the Labour Department and the Housing Authority. Given that the relevant 2022 data had not been published as at the Latest Practicable Date, the LTIFR for the industry for the ten months ended 31 October 2022 is unavailable.
3. Our Group's LTIFR includes the employees of our Group and workers of subcontractors during the years/period indicated. For the avoidance of doubt, the above table does not include accident(s) (if any) which occurred after 31 October 2022 and up to the Latest Practicable Date.

**Analysis of our occupational health and safety management system**

Having considered that:

- (i) our Group has adopted an occupational health and safety standards system and our staff also works with other safety supervisors and the main contractors on site to ensure the satisfaction of safety requirements and systems established by our customers or main contractors;
- (ii) our workers are provided with safety training, safety equipment and suitable warning as mentioned in the above sub-paragraph headed "Our current occupational health and safety standards system" in this section;
- (iii) our project managers and site foremen will conduct regular inspections on site to ensure compliance with our safety management system and as at the Latest Practicable Date, six of them either held a certificate in safety and health for supervisors (construction) issued by the Occupational Safety and Health Council or completed a construction safety supervisor course by the Construction Industry Council;

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- (iv) based on our Group's records, the six accidents during the Track Record Period and up to the Latest Practicable Date (a) were all non-fatal accidents; and (b) were primarily attributable to workers' inattention to the warnings provided, workers' carelessness or otherwise they failed to comply with the general safety rules adopted by our Group and those by main contractors which have been communicated to such workers;
- (v) according to the Industry Report, accidents are not uncommon in the construction industry in Hong Kong and based on the industry average accident rates and LTIFR in the above sub-paragraph headed "Analysis of accident rate and lost time injuries frequency rate" in this section, our Group's accident rates and LTIFR were lower in comparison, particularly in regards to accidents rates where our Group's was significantly lower than the industry average;
- (vi) except for one improvement notice in June 2020 issued by the Labour Department against Easy Smart Engineering in respect of failure to ensure a worker used the effective screens provided at a work site where particles of material or dust were likely to enter or damage the eyes in contravention of the Construction Sites (Safety) Regulations, our executive Directors confirmed that our Group has not received any other improvement notices and/or suspension notices relating to safety conditions at work sites during the Track Record Period and up to the Latest Practicable Date; and
- (vii) save as disclosed above, during the Track Record Period, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal or suspension of our registration as a registered subcontractor and a registered specialist trade contractor under the Registered Specialist Trade Contractors Scheme maintained by the Construction Industry Council due to accidents or breaches of workplace safety regulations,

our Directors are of the view, and the Sole Sponsor concurs, that our Group's existing occupational health and safety management system of our Group is adequate and effective and in compliance with relevant regulatory requirements concerning health and safety.

### Impact of COVID-19

An outbreak of COVID-19 was first reported in December 2019 and affected Hong Kong as well as many countries around the world. In 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19 attributable to the Omicron variant (the "**Fifth Wave Outbreak**"). However, the impact of COVID-19 in Hong Kong has weakened as at the Latest Practicable Date as compared to the peaks of the outbreak mainly due to the

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development of several vaccines.

### *Impact on relevant industry and outlook*

The COVID-19 pandemic has created a series of challenges and opportunities for the passive fire protection works industry. In response to the Fifth Wave Outbreak, a series of enhanced quarantine and other measures were adopted by the HK Government and other governments. As a result of such measures, there were temporary disruptions and partial suspension of the supply of construction materials from the PRC to Hong Kong from March 2022 to May 2022 which contributed to the slowdown in the progress of certain construction projects in Hong Kong according to the Industry Report. During this period, ongoing passive fire protection works projects continued to progress in general, but the contractors may experience shortages or disruptions in the supply of passive fire protection materials, such as fire rated boards, fire rated doors and fire resistant paints, coating and plasters. According to the Industry Report, the price of certain passive fire protection materials surged from March 2022 to May 2022 and the prices have returned to the normal level. Furthermore, some of the passive fire protection works in the construction sites have been held up or delayed for one to two months during that period and the delivery timeline was affected in June 2022 and July 2022. In view of the shortage or disruptions of construction materials supply during the Fifth Wave Outbreak, passive fire protection services providers tended to increase their inventory in the construction sites to ensure the sufficiency of the supply of construction materials and mitigate the impact.

However, the COVID-19 pandemic has created business opportunities for the passive fire protection works market as well due to the demand for the urgent construction of quarantine facilities and other types of isolation and treatment facilities according to the Industry Report. For example, in response to the Fifth Wave Outbreak, the HK Government has sought to increase the number of community isolation and treatment facilities in Hong Kong. Thus, the HK Government has introduced relevant construction works including makeshift hospitals that provide additional spaces and resources in implementing quarantine measures including sizeable temporary construction works involving an 80,000 square-meter facility in Kai Tak, 60,000 square-meter facility in Tsing Yi, 28,400 square-meter Lok Ma Chau Loop makeshift COVID-19 treatment facility to serve as a temporary impetus to the construction industry in Hong Kong, including passive fire protection works involved in these sizable facilities according to the Industry Report.

According to the Industry Report, the overall passive fire protection works industry in Hong Kong has been growing steadily primarily due to the sustainable development of the construction industry, stringent requirements for fire safety construction and the rollout of Mandatory Urban Renewal Program by the HK Government, prompting demand for installation and refurbishment of passive fire protection systems. The effect of COVID-19 on the passive fire protection works market is expected to be short term and limited. This market is set to gradually regain its momentum in the long run due to (i) the regular renovation of passive fire protection system in residential, commercial and industrial buildings being stable in nature; and (ii) a stable pipeline of construction projects in the residential, commercial and industrial sectors, especially the planned

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production of public residential units and surrounding auxiliary facilities. The market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026. Based on the above, the total number of construction and development projects launched or available for tendering in the passive fire protection works market in Hong Kong is expected to be largely unaffected by the COVID-19 pandemic according to the Industry Report.

### *Impact on our business operations*

Our executive Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no project cancellations due to the COVID-19 outbreak and our Group did not experience any significant delays or suspensions in our projects due to the COVID-19 outbreak which resulted in a material adverse effect on the business or financial condition of our Group. Instead, our customers have shown continued interest in our passive fire protection solutions as reflected in our increasing revenue during the Track Record Period. We also gained new business opportunities arising from the pandemic such as undertaking projects in relation to quarantine facilities in Hong Kong which are some of our major projects during the Track Record Period (for further details, please refer to the paragraph headed "Our projects — Major projects completed during the Track Record Period and up to the Latest Practicable Date" in this section).

Due to the resurgence of the COVID-19 pandemic in the PRC in early 2022, lockdown measures were imposed in various parts of the PRC, Shanghai in particular, leading to a temporary disruption in the supply of raw materials from the PRC. We experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC for certain passive fire protection materials and metal parts and components. Our executive Directors consider that the temporary disruption to the supply of the aforesaid raw materials did not have long-lasting material adverse impact on our operation taking into consideration that to the best of their knowledge, information and belief (i) the impact was limited to Projects 5161, 5015, 4876 and 4686; (ii) the supply of affected raw materials has begun to return to normal levels since June 2022 and our Group did not experience further disruption in the supply of such materials since then and up to the Latest Practicable Date; (iii) for the four projects which were affected by the disruption in the supply of such materials, our Company engaged logistic services providers to assist with the cross-border transportation of materials to minimise the impact of such disruption on the progress of our works for such projects when considered necessary; (iv) our customers for the four affected projects did not allege that we breached our contracts due to such disruptions in supply and we were not subject to liabilities nor did we pay any liquidated damages to our customers as a result of such disruptions in supply to the affected projects; and (v) as confirmed by our Company, there is no delay in the overall schedule for these four projects as we were able to catch up to the schedule up to the Latest Practicable Date, and accordingly, our executive Directors are of the view that the risk that our customers for these projects will claim against our Group for the delay in such projects due to the aforesaid disruptions is remote.

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Considering that (i) we undertook a variety of projects other than hotel related projects during the Track Record Period and as disclosed in the paragraph headed "Our projects — Types of projects" in this section; (ii) one of our top 20 completed projects during the Track Record Period and up to the Latest Practicable Date in terms of the revenue contribution during the Track Record Period was a hotel related project with an original contract sum of approximately HK\$13.5 million; (iii) none of our projects in progress as at the Latest Practicable Date was a hotel related project; and (iv) despite the above, we are still tendering for hotel related contracts during the COVID-19 pandemic and had two hotel related contracts which are still undergoing the tender selection process and pending tender result up to the Latest Practicable Date with an aggregate tender amount of approximately HK\$0.1 million, our executive Directors are of the view that the impact of the COVID-19 pandemic on hotel related projects did not result in a material adverse effect on the business or financial condition of our Group.

In order to protect our employees and minimise the potential risks of COVID-19, we have adopted a number of measures as detailed in the sub-paragraph headed "Our current occupational health and safety standards system" in this section above.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, although some of our employees had been confirmed as having contracted COVID-19 during the Track Record Period, taking into account (i) the relatively mild and short term symptoms in such confirmed cases involving our staff; (ii) the mitigation measures adopted by us including requiring additional shifts or over-time work by staff when necessary; and (iii) we maintain relationships with multiple subcontractors to avoid over-reliance on any individual subcontractor and thus we were able to engage additional subcontractors when additional labour was required and the workers of one subcontractor was insufficient, there was no material disruption to the daily administration and operation of our Group as a result of COVID-19.

To the best of the knowledge, information and belief of our Directors, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had not received any notice from: (i) our major customers terminating our existing projects with them; or (ii) our major suppliers terminating our existing contracts with them for their provision of passive fire protection materials or services.

### *Our current financial condition*

Our bank balances and cash as at 28 February 2023 was approximately HK\$38.6 million. We will closely monitor the development of COVID-19 and promptly implement necessary measures to minimise any adverse effect on our financial condition and results. Taking into account the above and the current bank balances and cash, we believe the outbreak of COVID-19 does not have a significant adverse impact on our continuing business operation.

## INVENTORY

We generally did not maintain any inventories during the Track Record Period as materials are purchased and consumed on a project-by-project basis as needed and are delivered to our project sites by our suppliers to meet estimated demand.

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### INSURANCE

Our executive Directors believe that our current insurance policies are adequate and the coverage of the insurance policies is consistent with industry norm considering our current operations and the prevailing industry practice. We have purchased or are covered by the following types of insurance:

#### **Contractors' all risk insurance and other insurance purchased by others**

During the Track Record Period, we served as a subcontractor in projects and typically our customers or the relevant main contractors for such projects were responsible for purchasing the contractors' all risk insurance, employees' compensation insurance and third party liability insurance policies covering the liabilities of our Group and that of our subcontractors arising out of the performance of the subcontracted works.

#### **Our employees' compensation insurance**

We maintain insurance coverage for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$100 million on a per incident basis. We consider such insurance coverage generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

#### **Our other insurance coverage**

Our Group has also maintained medical insurance and motor insurance for our vehicles.

#### **Uninsured risks**

However, we have certain uninsured risks which are not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the section headed "Risk factors — Risks relating to our business — Our insurance coverage may not adequately cover potential liabilities" in this document.

### LITIGATIONS AND POTENTIAL CLAIMS

As at the Latest Practicable Date and save as disclosed below, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our executive Directors to be pending or threatened against any member of our Group.

#### **Potential claims**

As disclosed in the paragraph headed "Accidents during the Track Record Period" in this section, we recorded six accidents during the Track Record Period and up to the Latest Practicable Date. These accidents will give rise to four potential common law personal injuries claim from four workers, including a worker ("**Worker B**") as referred to

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in the paragraph headed "Litigation" of this section below and three potential employees' compensation claims who were purportedly injured in September 2021, November 2021 and August 2022. The limitation periods for the injured to commence such claims have not expired.

Potential claims refer to those claims that have not been commenced against our Group but are within the limitation of two years (for employees' compensation applications) or three years (for common law personal injuries actions) from the date of the relevant incident pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not been commenced, we are not in the position to assess the likely quantum of such potential claims. The potential applications and actions involve workers of our Group. Our Directors take the view that the amount of such potential claims to be borne by our Group in the proceedings shall be handled by the relevant main contractors or shall be covered by the relevant insurance policy of the main contractors. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business. We confirm that our main contractors have insurance to sufficiently cover our liabilities of all these potential claims and such potential claims have no material adverse impact on our financial condition or on the ability of our Group to obtain or renew any registration for our operation.

Our Directors are of the view that occurrence of employees' compensation applications and common law personal injuries actions is not uncommon in the industry. None of our Directors has been involved in our Group's material litigation rendering him or her unable to comply with Rules 3.08 and 3.09 of the Listing Rules.

**Litigations**

Set out below is the ongoing litigation against our Group as at the Latest Practicable Date:

*Employees' compensation claims*

Nature of claim	Date of claim	Applicant/ Plaintiff	Respondent/ Defendant	Circumstances and reasons of claim	Status of claim
1. Employees' compensation claim	4 April 2022	Worker A	Easy Smart Engineering as one of the respondents	it was alleged that an object was splashed into Worker A's ear while welding was conducted on about 8 April 2020. As a result, he purportedly suffered injuries to his left ear.	The employees' compensation claim of Worker A is now in the discovery stage and the employees' compensation claim of Worker B is now in its pleadings stage.  The amounts of claim from Worker A and Worker B are not stated in the court documents and we have not been served with the documents containing information on the amounts of claim from Worker A and Worker B. The amounts are to be assessed by the court and are unknown as at the Latest Practicable Date.



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Nature of claim	Date of claim	Applicant/ Plaintiff	Respondent/ Defendant	Circumstances and reasons of claim	Status of claim
2. Employees' compensation claim	24 March 2023	Worker B	Easy Smart Engineering as one of the respondents	It was alleged that the applicant slipped and fell on about 29 September 2022. As a result, he purportedly suffered le fort fracture.	Besides, as the time limit for Worker B to commence a common law personal injuries claim against Easy Smart Engineering has not expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), it is probable that Worker B may commence a common law personal injuries action against Easy Smart Engineering before the time for the claim is barred. For details, please refer to the paragraph headed "Potential claims" in this section above.
3. Common law personal injuries claim	30 March 2023	Worker A	Easy Smart Engineering as one of the defendants	It was alleged that, on 8 April 2020, an object was splashed into Worker A's ear while welding was conducted. As a result, Worker A purportedly suffered injuries to his left hear	The common law personal injuries claim of Worker A is now at pleadings stage.

**Views of our executive Directors on ongoing litigation**

In respect of the above ongoing employees' compensation claims and the common law personal injuries claim, the relevant main contractor is required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong which meets the statutory minimum insurance coverage of HK\$200 million for each accident. The ongoing claims are being dealt with and handled by the relevant main contractors, their insurers and their appointed solicitors. Therefore, our executive Directors are of the view that the amounts claimed by the applicants/plaintiff in the ongoing claims are expected to be covered by the relevant insurance policy maintained by our main contractors and that the ongoing claims will not have any material impact on our Group, so no provision has to be made to cover our potential liability under the above ongoing claims.

**NON-COMPLIANCE**

Our Directors confirmed that save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

**Non-compliance with the IRO**

During the Track Record Period, we have certain non-compliance incidents of failing to file our profits tax returns within the stipulated time limit contrary to Section 51(1) of the IRO and failing to inform the IRD for its chargeability to profits tax within the stipulated time limit contrary to Section 51(2) of the IRO.

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These non-compliance incidents were unintentional and not willful and were mainly due to the historical circumstances at the relevant time as detailed in the sub-paragraph headed "Views of our Directors and the Sole Sponsor" below.

Set out below are our non-compliances with the IRO including during the Track Record Period and up to the Latest Practicable Date:

**1. Late filing of profits tax returns**

<u>Non-compliance incident</u>	<u>Legal consequences and potential maximum penalties</u>	<u>Remedial actions</u>	<u>Actual/estimated penalty</u>
<p>1. Easy Smart Engineering failed to file its profits tax returns for the year of assessment of 2020/21 within the stipulated time limit (i.e. file on or before 31 May 2021), contrary to Section 51(1) of the IRO.</p>	<p>Under Section 80(2)(d) of the IRO, Easy Smart Engineering may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax for its failure to comply with the notice to furnish the profits tax return without reasonable excuse.</p> <p>If no prosecution under Section 80(2)(d) of the IRO is instituted, Easy Smart Engineering may be liable to an additional tax assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A(1)(d) of the IRO.</p> <p>Our Directors estimate the profits tax payable by Easy Smart Engineering for the year of assessment 2020/21 will be approximately HK\$5.1 million. Our Legal Counsel is of the view that the maximum additional tax under Section 82A of the IRO for Easy Smart Engineering is approximately HK\$15.4 million.</p>	<p>We have engaged a tax representative to provide assistance to us in relation to tax reporting matters. Our tax representative furnished the relevant profits tax return of Easy Smart Engineering to the IRD in October 2021. We have also delegated Mr. Pang Yuk, our new financial controller, to handle and oversee the book keeping and financial reporting of our Group. For further information of Mr. Pang Yuk, please refer to the section headed "Directors and senior management — Senior management" in this document.</p>	<p>We understand, after consultation with an internationally recognised and reputable accounting firm which was appointed as Easy Smart Maintenance's tax representative in September 2021 (the "Refiling Tax Representative"), that the IRD will generally deal with the late filing administratively pursuant to the penalty policy of the IRD by the imposition of monetary penalties.</p> <p>Our Group estimated the likely additional tax penalty to be approximately HK\$0.5 million and made full provision of such amount in its financial statements accordingly.</p> <p>According to a letter from the IRD on 13 January 2022, no prosecution would be taken by the IRD for the delay if Easy Smart Engineering agreed to the payment of a compound penalty of approximately HK\$0.4 million to the IRD under Section 80(5) of the IRO. Easy Smart Engineering accepted the penalty by a submission on 24 January 2022 and paid the compound penalty.</p> <p>Our Legal Counsel is of the view that by accepting the penalty and payment of the compound penalty, Easy Smart Engineering will not be further prosecuted, nor will further penalty be imposed.</p>

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Non-compliance incident	Legal consequences and potential maximum penalties	Remedial actions	Actual/estimated penalty
<p>2. Easy Smart Engineering and Easy Smart Maintenance failed to file their respective profits tax returns for the year of assessment of 2018/19 within the stipulated time limit (i.e. file on or before 2 May 2019), contrary to Section 51(1) of the IRO.</p>	<p>Under Section 80(2)(d) of the IRO, Easy Smart Engineering and Easy Smart Maintenance may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax (if any) for each of their failure to comply with the notice to furnish the profits tax return without reasonable excuse.</p> <p>If no prosecution under Section 80(2)(d) of the IRO is instituted, Easy Smart Engineering and Easy Smart Maintenance may be respectively liable for an additional tax to be assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A of the IRO.</p>	<p>The relevant profits tax returns of Easy Smart Engineering and Easy Smart Maintenance have been filed in June 2019 and May 2019, respectively. For the year of assessment 2018/19, Easy Smart Engineering proactively purchased a tax reserve certificate of approximately HK\$2.1 million in September 2019 for the potential tax payable prior to the issuance of the relevant notice of assessment, demonstrating that our Group has no intention to evade tax or delay tax payment. The IRD subsequently issued a Notice of Assessment for 2018/19 to Easy Smart Engineering in December 2019 and tax payable demanded had been fully settled with the said tax reserve certificate. As for Easy Smart Maintenance, Easy Smart Maintenance was in a tax loss position for the year of assessment of 2018/19 according to the statement of loss issued by the IRD in December 2019 thus there was no tax payable for the year of assessment of 2018/19.</p>	<p>According to a letter from the IRD on 1 November 2019, no prosecution would be taken by the IRD for the delay if Easy Smart Engineering agreed by paying a compound penalty of HK\$3,000 to the IRD under Section 80(5) of the IRO. Easy Smart Engineering accepted the penalty on 11 November 2019.</p> <p>By accepting the penalty under Section 80(5) of the IRO, Easy Smart Engineering paid the compound penalty of HK\$3,000.</p> <p>Our Legal Counsel opined that by accepting the penalty and the payment of the compound penalty of HK\$3,000 by Easy Smart Engineering, Easy Smart Engineering will not be further prosecuted, nor will further penalty be imposed.</p> <p>As for Easy Smart Maintenance, we were advised by our Legal Counsel that the chance of the IRD issuing an offer for compound penalty under Section 80(5) of the IRO was on the low side given there was no tax payable by Easy Smart Maintenance for the year of assessment of 2018/19. Even if the IRD charged Easy Smart Maintenance for the late filing of the profits tax returns for the year of assessment of 2018/19, the penalty is estimated to be HK\$3,000.</p>

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### 2. Failure to inform IRD for profits tax chargeable

Non-compliance incident	Legal consequences and potential maximum penalties	Remedial actions	Actual/estimated penalty
<p>1. Easy Smart Maintenance failed to inform the IRD that it was chargeable to profits tax for the years of assessment of 2018/19, 2019/20 and 2020/21 no later than four months after the end of each basis period of respective year of assessment (i.e. inform the IRD on or before 31 December 2018, 31 October 2019 and 31 October 2020, respectively).</p>	<p>Under Section 80(2)(e) of the IRO, Easy Smart Maintenance may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax (if any) for its failure to inform the IRD without reasonable excuse for its chargeability to tax.</p> <p>If no prosecution under Section 80(2)(e) of the IRO is instituted, Easy Smart Maintenance may be liable to be assessed to additional tax assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A(1)(e) of the IRO.</p> <p>Our Directors, after consultation with the Refiling Tax Representative, that there was no undercharged tax for the year of assessment of 2018/19, whereas, the estimated final tax payable for the years of assessment 2019/20 and 2020/21 are approximately HK\$0.4 million and HK\$0.5 million. Hence, for the failure of Easy Smart Maintenance to inform chargeability for the year of assessment of 2018/19, the maximum penalty will be HK\$10,000, whereas, for the years of assessment of 2019/20 and 2020/21, the maximum penalty will be approximately HK\$1.1 million and HK\$1.4 million respectively.</p>	<p>Easy Smart Maintenance recorded an assessable profit for the year ended 30 June 2019 (i.e. year of assessment 2019/20), but no profit tax return was issued by the IRD because Easy Smart Maintenance reported an assessable loss for the year of assessment 2018/19.<sup>Note</sup> Easy Smart Maintenance should have notified its tax chargeability for the year of assessment 2019/20 to the IRD on or before 31 October 2019, but it failed to do so and thus no profits tax return for the year of assessment 2019/20 was received from the IRD. Our tax representative therefore submitted a letter to the IRD and asked for the issuance of the profits tax return for the year of assessment 2019/20 of Easy Smart Maintenance in May 2020.</p> <p>Despite our said letter to the IRD, no profits tax return for the year of assessment 2019/20 of Easy Smart Maintenance was received. Subsequently, after our new financial controller, Mr. Pang Yuk, joined our Group in July 2021 and in the course of his duties to handle and oversee the bookkeeping and financial reporting of our Group including the review of historical financial information of Easy Smart Maintenance for the ten months ended 30 June 2019, certain prior year adjustments were identified by him. Our Group then decided to appoint the Refiling Tax Representative to assist us with handling the tax refiling due to the aforesaid prior year adjustments. We engaged the Refiling Tax Representative and appointed it as Easy Smart Maintenance's tax representative on a short term basis in September 2021. After consultation with the Refiling Tax Representative, Easy Smart Maintenance informed the IRD of the tax chargeability for the years of assessments 2019/20 and 2020/21 based on the requirements of the IRO. Hence, Easy Smart Maintenance informed the IRD that it was chargeable to tax for the years of assessments 2019/20 and 2020/21 in October 2021. For further information of Mr. Pang Yuk, please refer to the section headed "Directors and senior management — Senior management" in this document.</p>	<p>As there was no undercharged tax for the year of assessment of 2018/19, our Legal Counsel is of the view that the maximum penalty for the non-compliance of Easy Smart Maintenance for failure to inform the tax chargeability for the year of assessment of 2018/19 will be HK\$10,000. However, we were advised that the chance of the IRD to impose the maximum penalty is on the low side.</p> <p>As for the non-compliance for the years of assessments of 2019/20 and 2020/21, our Legal Counsel is of the view that the potential additional tax penalty is estimated to be 10% of the amount of tax undercharged under group (j) of the penalty loading scale for first offence of the penalty policy of the IRD, i.e. HK\$37,000 and HK\$48,000 based on the then estimated final tax payable of approximately HK\$0.4 million for the year of assessment 2019/20 and approximately HK\$0.5 million for the year of assessment 2020/21, respectively. Our Group has fully provided for the estimated aggregate penalty of HK\$85,000 in its financial statements for the year ended 30 June 2021 accordingly.</p> <p>Subsequently, the profits tax returns of Easy Smart Maintenance for the years of assessment of 2019/20 and 2020/21 were received and submitted in January 2022 and April 2022, respectively. The notice of tax assessment of Easy Smart Maintenance for the year of assessment 2019/20 was received in March 2022 without any additional penalty and the tax payable thereunder was paid in April 2022. The notice of tax assessment of Easy Smart Maintenance for the year of assessment 2020/21 was issued in November 2022 without any additional penalty and the tax payable thereunder was paid in December 2022. During the four months ended 31 October 2022, our management made an enquiry with the tax officer of IRD and understands that there was no other tax penalty owed by us and thus, the over-provision of tax penalty was reversed.</p> <p>To the best of our executive Directors' knowledge, information and belief, having considered the communications between the IRD and our Group as well as advice from the Legal Counsel, the likelihood of penalty to be imposed by the IRD for such non-compliance of Easy Smart Maintenance for these three years of assessment 2018/19, 2019/20 and 2020/21 is on the low side.</p>

*Note:* As detailed in the section headed "Financial information — Tax refiling of Easy Smart Maintenance for the year of assessment 2018/19" in this document, profits tax return and computation of Easy Smart Maintenance for the year ended 31 August 2018 (i.e. year of assessment 2018/19) were prepared and submitted to the IRD based on the financial statements audited by its former statutory auditor and Easy Smart Maintenance previously reported an assessable loss. After certain prior year adjustments were identified, Easy Smart Maintenance recorded a profit for the year ended 31 August 2018 but with no tax payable on such profit after taking into account, among others, the tax loss brought forward from the previous year of assessment and relevant one-off tax reduction.

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### **Corporate governance and internal control measures to ensure ongoing compliance**

As certain prior year adjustments for the audited financial statements of Easy Smart Maintenance for the year of assessment 2018/19 were also identified, our Group has adopted certain internal control measures to prevent recurrence of the similar tax incident, and that such measures would also be applicable to ensure the future compliances with filing profits tax returns as well as notifying the IRD for profits tax chargeability of our Group. For details of the enhanced internal control measures and the reasons why such enhanced internal control measures are adequate and effective to address the tax compliance incidents, please refer to the section headed "Financial information — Tax re-filing of Easy Smart Maintenance for year of assessment 2018/19 — Enhanced internal control measures adopted to prevent recurrence" in this document.

### **Views of our Directors and the Sole Sponsor**

Having considered the nature and reasons for the historical non-compliance incidents, the preventative and remedial actions taken by our executive Directors, the remedial actions taken by us and the above views of the Internal Control Consultant and the Legal Counsel, and other factors in particular, the following:

#### *Circumstances leading to the non-compliance incidents*

- (i) during the Track Record Period, we engaged qualified statutory auditors to finalise our audited financial statements which could be then used for preparing our tax filings (including notification of profits tax chargeable), informed them of the necessity of the timely completion of the audit for our tax filing purposes, and provided reasonable assistance to them for the fulfilment of their duties. With the engagement of qualified statutory auditors and given the regulatory requirement of submitting the audited financial statements for tax filing purposes and that the qualified statutory auditors ought to be fully aware of the tax reporting deadline, our executive Directors honestly and reasonably believed at the relevant time that such statutory auditors would finalise the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance properly and in a timely manner to prevent delays in preparing and filing the tax filings with the IRD or prior year adjustments which eventually led to delay in notification of profits tax chargeable. Our executive Directors had no reason to doubt that qualified statutory auditors were not competent in doing so. To a certain extent, the timeline of completion of the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance is not within the full control of our executive Directors because it is subject to the schedule and actual audit progress of the respective qualified statutory auditors;

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- (ii) due to the different accounting standards (specifically, the SME-FRS for the financial statements of Easy Smart Engineering and Easy Smart Maintenance and the HKFRS for the consolidated financial statements of our Group) between the preparation of the audited financial statements for Easy Smart Engineering and Easy Smart Maintenance and the audited consolidated financial statements of our Group, the preparation of such statements was significantly more complex and longer time was required to finalise the audited financial statements for the year ended 30 June 2020 of Easy Smart Engineering and Easy Smart Maintenance. As the finalisation of the audited financial statements for Easy Smart Engineering and Easy Smart Maintenance was necessary for preparing the profits tax computation, delays were inevitably occurred for completing the profits tax returns and for making the notification of tax chargeability for the year of assessment 2020/21;
- (iii) as for the delegation to the staff overseeing our tax filings, given that our executive Directors ensured that she was provided with necessary resources and support of our Group's finance staff, our executive Directors honestly and reasonably believed at the relevant time that she was able to arrange for the tax filings to be submitted to the IRD in a timely manner or else draw our executive Directors' attention to potential delays so that they could make necessary arrangements. Given the relevant administrative personnel's tasks involved liaising with professionals, such as the qualified statutory auditors, preparing tax filings based on the audited financial statements prepared by the qualified statutory auditors and submitting such filings in a timely manner which were all considered administrative tasks, our executive Directors honestly and reasonably believed at the relevant time that accounting and taxation knowledge and qualifications were not prerequisites for that position. Furthermore, our executive Directors did not expect the delays in tax filings to the IRD given the professionals involved and the resources and assistance provided to her;

### *Actions taken by our executive Directors and our Group to ensure compliance*

- (iii) having considered the circumstances leading to the non-compliance incidents, our executive Directors have taken actions to procure our Group to comply with the relevant tax requirements, including, completing all the tax filings and notifications, changing the statutory auditors to prepare the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance, appointing a new tax representative to handle the tax filings, voluntarily purchasing tax reserve certificates for Easy Smart Engineering, writing to the IRD seeking an extension of time to file the profits tax returns for Easy Smart Engineering and writing to the IRD for the issuance of profits tax returns for Easy Smart Maintenance;

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- (iv) our Group has relieved the responsible administrative personnel previously overseeing the tax filings of such duties and such duties are now handled by our Group's new financial controller, Mr. Pang Yuk, who will oversee the financial management of our Group and will be assigned to review, on a regular basis, our compliance with relevant tax laws and regulations and, where appropriate, will consult with an independent tax representative. Mr. Pang has more than eight years of experience in accounting, corporate finance, compliance and company secretarial work (for further details of his qualifications and work experience, please refer to the section headed "Directors and senior management" in this document). To ensure multiple levels of review, our accounting manager will be responsible for liaising with the tax representative to ensure that the timely preparation of the tax filings by the tax representative. The accounting manager will then pass the tax filings for our financial controller's review. Additionally, based on our updated internal control manual, our executive Directors and our financial controller will ensure the filing of tax returns before the submission deadline and our company secretary will proactively remind our executive Directors and our financial controller for such tax filing matters;
- (v) we have adopted or will adopt upon the [REDACTED], enhanced internal control measures as detailed in the section headed "Financial information — Tax refiling of Easy Smart Maintenance for year of assessment 2018/19 — Enhanced internal control measures adopted to prevent recurrence" in this document and based on the enhanced internal control measures in place, our Internal Control Consultant is of the view that the design of enhanced internal control measures established by our Group are adequate and effective to reasonably prevent the occurrence of any similar non-compliance in the future;

### *Other factors considered*

- (vi) the non-compliance incidents did not involve any fraudulent or dishonest acts by our Directors, and thus does not raise any concern on their integrity. No prosecution was initiated against our executive Directors nor had any of our executive Directors been subject to any summons or fine relating to any non-compliance with the IRO as at the Latest Practicable Date;
- (vii) as set out in the above reasons, the non-compliance incidents were unintentional and not willful. As advised by our Legal Counsel, there is no consent or connivance on the parts of our Directors for the non-compliance and that there would not be any negative impact on the competence of our Directors as directors of our Company;

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- (viii) the non-compliance incidents, whether considered individually or collectively, did not and will not have any significant operational or financial impact on us, in particular, the IRD had agreed to apply compound penalty on Easy Smart Engineering for the year of assessment 2020/21 in lieu of prosecution and that such compound penalty has been provided for and made. By dealing with the non-compliances administratively, Easy Smart Engineering will not be subject to any risk of further proceedings by the IRD;
- (ix) our Directors are mindful and alert to this issue and will more carefully monitor this situation in the future including the delegation of appropriately qualified staff with the assistance of external professional parties to ensure future compliance. Despite such delegation and in recognising their responsibility to ensure we duly comply with relevant laws and regulations, our executive Directors will take the following actions upon the [REDACTED]:
  - (a) review the period-end checklist mentioned above to monitor the tax filing timeline, require our financial controller and responsible staff to keep our Directors informed of such tax filings, and follow-up with them where necessary to ensure timely compliance of our Group's tax filings;
  - (b) review the internal control manual annually and after consultation with the internal control consultant, consider whether such manual should be updated to include any other measures to facilitate our Group's compliance with the IRO;
  - (c) to keep themselves educated on the new developments on the requirements of the IRO and in the event of major reforms to the IRO, our executive Directors will ensure that they will attend appropriate training to gain an understanding of such changes. Furthermore, Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, and Mr. Pang Yuk, our financial controller, will periodically attend taxation related training after [REDACTED]; and
- (x) upon completion of the training session provided by our Hong Kong Legal Advisers, our Directors are fully aware of the requirements and obligations as directors of a [REDACTED] issuer pursuant to the Listing Rules and their duties to ensure our Group observes and complies with all applicable rules and regulations,

our Directors consider, and the Sole Sponsor concurs, that the above non-compliance incidents do not have any material impact on the competence and suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules and on the suitability of our Company's [REDACTED] under Rule 8.04 of the Listing Rules.



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### 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 from (a) the litigations and claims taken against our Group before the [REDACTED] becomes unconditional; and (b) any non-compliances and all accidents of our Group that happened before the [REDACTED] becomes unconditional other than, among others, specific provision has been made for such taxation liability in the audited consolidated financial statements of any members of our Group for the Track Record Period. Further details of the Deed of Indemnity are set out in the paragraph headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this document.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MATTERS

### A. Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our Group's business operation. We are committed to comply with environmental, social and governance ("ESG") reporting requirements upon the [REDACTED]. We have established an ESG policy (the "ESG Policy") in accordance with the standards of Appendix 27 to the Listing Rules, which outline, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG strategy formation procedures; (iv) ESG risk management and monitoring; and (v) the identification of key performance indicators ("KPIs"), the relevant measurements and mitigating measures.

Our ESG policy also sets out the responsibilities of different parties in managing the ESG matters. Our Board takes the leadership in promoting top-down culture, with our Board being the highest governance body of our Group, ensures that ESG considerations are taken into consideration during the business decision-making process. Our Board has an overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group via the annual risk assessment which is detailed in the paragraph headed "C. Our strategies in addressing ESG-related risks and opportunities" in this section below, establishing and adopting the ESG policy and targets of our Group, and reviewing and revising our Group's performance annually against ESG targets as appropriate.

Our Board has established an ESG working group that currently comprises seven members, including members of our senior management, Mr. Dave Ng, Mr. Pang Yuk and Mr. Lui Siu Fung as well as four others in managerial roles including two general managers, one project manager and an accounting manager, all of whom are considered to have sufficient knowledge of our Group's operation, and relevant experiences and/or responsibilities for handling the current and emerging ESG matters. For further details of the experience and qualifications of Mr. Dave Ng, Mr. Pang Yuk and Mr. Lui Siu Fung,

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please refer to the section headed "Directors and senior management" in this document. In respect to how the experiences and/or responsibilities of the members of the ESG working group will assist in ESG matters, we consider that our executive Director can oversee our Group's ESG matters generally and report to our Board on ESG matters, while our financial controller, who supervises all finance activities and accounting operations of our Group, will also assist our Group in assessing and identifying the potential financial implications arising from potential climate risks. For our general managers and project managers, they have extensive knowledge in project management and are responsible for overseeing the front-line operations, and thus can assist in project compliance with environmental matters and monitoring of procurement practices. Since the relevant accounting manager is also responsible for our Group's human resources management, she can assist us in our compliance with labour standards and diversity inclusion.

The ESG working group supports the Board in implementing ESG actions, policies, targets and strategies; conducting materiality assessments of material ESG and climate risks through the ESG data collection and reporting cycle. The ESG working group also investigates deviation from targets and seek for rectification actions for such deviation. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group, and our Board will review the effectiveness of the systems and controls in place, including business, environment, people, and social interests.

### **B. Potential impact of ESG-related risks**

As a contractor specialising in passive fire protection works in Hong Kong, we are subject to various laws and regulations in Hong Kong in relation to environmental matters and social matters.

If our Group breaches any environmental-related and social-related laws and regulations, or is accused of non-compliance with the requirements stipulated, we may face penalties or suspension of operation, and such incidents may also adversely affect our reputation, credibility and business prospects.

To the best of the knowledge, information and belief of our Directors, we are in compliance with applicable environmental regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward.

In addition, our Group has identified the potential acute physical risks and transition risks from climate change. Acute physical risk can arise from extreme weather conditions which may have potential financial implications for our Group, for instance, damage to our installation works, delay the work progress and disrupting our supply chain. Meanwhile, sustained elevated temperature resulting from chronic physical risk may increase the risk of heat stroke of our employees. Our Group has formulated safety manual and developed contingency measures to govern the course of actions during extreme weather conditions, such as when typhoon signal is hoisted or rainstorm warning signal is in force. Upon evaluation, it is concluded that our Group's exposure to these potential risks that may cause disruption to our operation and assets are relatively low.

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Potential transition risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy, and technology risks. Our Group has adopted measures to mitigate emissions and conserve energy. Our Group purchases from reputable and reliable approved suppliers and we have also adopted green procurement, where suppliers (i) with relevant ISO certifications, such as ISO 14001 Environmental Management System, ISO 20400 Sustainable Procurement, ISO 9001 Quality management and ISO 45001 Health and safety management, (ii) which supply low carbon construction materials such as products that obtained Construction Industry Council Green Product Certification, are preferred if their products meet the requirements of the relevant projects and main contractors. We prioritise our procurement from suppliers with the above certifications. As suppliers certified with relevant ISO certifications indicate that the suppliers have an environmental management system in place or integrated sustainability within their procurement to manage and minimise their business’s environmental impacts, such as greenhouse gas emissions, energy and water usage, and waste production, our preference given to suppliers with ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement is consistent with our green procurement practices, which involves purchasing products and services that cause minimal adverse environmental impacts. We also encourage our employees to attend conference to keep abreast with the latest technology development or practices in passive fire protection works, ensuring that our practices meet industry standards and customer expectations.

Set forth below is a summary of the climate-related risks over the short, medium and long term our Group identified.

	<u>Risks</u>	<u>Potential Impacts</u>
Short and medium term (current annual reporting period and up to three years)	<ul style="list-style-type: none"> <li>• Extreme weather conditions such as flooding and storms</li> <li>• Sustained elevated temperature</li> </ul>	<ul style="list-style-type: none"> <li>• Affect business operations</li> <li>• Disruption to supply chain and impact on revenues</li> <li>• Negative impacts on workforce</li> </ul>
Long term (four to ten years)	<ul style="list-style-type: none"> <li>• Change in climate-related regulations</li> <li>• Emerging technology</li> </ul>	<ul style="list-style-type: none"> <li>• Higher operating costs to adopt new practices</li> </ul>

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### C. Our strategies in addressing ESG-related risks and opportunities

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will work closely with the Audit Committee and the ESG working group in identifying and classifying the key risks faced by our Group, assessing the likelihood and impact of each identified risk factor, and determining the risk level for each risk factor. Our Board may also engage independent third parties to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, the Audit Committee and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks.

In order to manage environmental-related and social-related risks, and also climate-related issues, our Board has adopted measures which are specified in our Group's ESG policy to tackle the risks identified during the enterprise risk assessment and has ensured that any potential risks inherent in our business operations or issues that may impact our operations are minimised.

The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as government regulation, transportation network and public perception. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite settings. If the risks and opportunities are considered to be material, our Group will incorporate them into the strategy and financial planning process. Upon evaluation, it is expected that extreme weather conditions and potential physical risks due to sustained elevated temperatures as well as changes in climate-related regulations and emerging technology leading to potential transition risks pose minimal impact on our operation.

### D. Metrics and targets

Our Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon the [REDACTED]. The relevant targets on material KPI will be reviewed on an annual basis. In setting targets for the KPIs, our Group has taken into account their respective historical levels during the Track Record Period, and has considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

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*Emissions*

Since we are a contractor specialising in passive fire protection works and procure metal parts and components as part of our operation, our greenhouse gas ("GHG") emissions arise from scope 1 direct emissions from burning of fuels in vehicles, scope 2 indirect GHG emissions from purchased electricity, as well as scope 3 other indirect GHG emissions from upstream emissions from our suppliers such as the emissions, energy consumed, and waste disposed during their production process (including production of metal parts and components). The following table sets forth a breakdown of our GHG emissions during the Track Record Period:

Type of GHG emission	Unit	Year ended 30 June			Four months ended
		2020	2021	2022	31 October 2022
CO <sub>2</sub> equivalent	tonnes per thousand dollars of revenue	0.00021	0.00017	0.00017	0.00015

Our Group will make continuous efforts in working towards the target of reducing the GHG emission intensity by 5% by the year ending 30 June 2025, against the emission intensity of the baseline year ended 30 June 2022.

Other air pollutants include nitrogen oxides ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and particulate matter ("PM"). The following table sets forth a breakdown of our NO<sub>x</sub>, SO<sub>x</sub> and PM emissions during the Track Record Period:

Type of air pollutant emission	Unit	Year ended 30 June			Four months ended
		2020	2021	2022	31 October 2022
NO <sub>x</sub>	grams per thousand dollars of revenue	0.18	0.14	0.14	0.15
SO <sub>x</sub>	grams per thousand dollars of revenue	0.00051	0.00041	0.00037	0.00036
PM	grams per thousand dollars of revenue	0.017	0.014	0.013	0.015

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Our Group will make continuous efforts in working towards the target of reducing the emission intensity of NO<sub>x</sub>, SO<sub>x</sub> and PM by 5% by the year ending 30 June 2025, against the emission intensity of the baseline year ended 30 June 2022. We have adopted an array of measures in mitigating the air pollutant emission and GHG emissions during the course of our operations, including but not limited to:

- requiring employees to turn off lights, equipment, and other electronic devices when such devices are not in operation and before leaving the premises;
- replacing all lightings with LED lighting products that are more energy-efficient;
- setting and keeping air conditioners to a default temperature of around 24 degrees Celsius;
- procuring products for the office that are more energy efficient, such as those with Grade 1 or 2 energy label; and
- conducting regular inspection and maintenance of vehicles and equipment.

We have also adopted green procurement practices to manage scope 3 indirect GHG emissions from the upstream supply chain with preference given to suppliers with relevant ISO certifications such as ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement, or products that obtained certifications such as Construction Industry Council Green Product Certification if their products meet the project requirements. As suppliers certified with relevant ISO certifications indicate that the suppliers have an environmental management system in place or integrated sustainability within their procurement to manage and minimise their business's environmental impacts, such as greenhouse gas emissions, energy and water usage, and waste production, our preference given to suppliers with ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement is consistent with our green procurement practices, which involves purchasing products and services that cause minimal adverse environmental impacts. We believe that such GHG emissions could be minimised via a prudent selection of suppliers and low carbon construction materials.

***Water Consumption***

The following table sets forth a breakdown of our water consumption during the Track Record Period:

<u>Type of consumption</u>	<u>Unit</u>	<u>Year ended 30 June</u>			<u>Four months ended</u>
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>31 October 2022</u>
Water	cubic meters per thousand dollars of revenue	0.00035	0.00032	0.00023	0.00036

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Our Group targets to reduce the water consumption intensity by 5% by the year ending 30 June 2025, against the water consumption intensity of the baseline year ended 30 June 2022. Our Group will make continuous efforts in working towards the set target of water consumption through the established water usage management and the implemented measures to avoid unnecessary leakage.

### *Noise and waste management*

Regarding noise and solid waste disposal, we strictly abide by the relevant regulations, prohibiting the installation works to be carried out during restricted hours unless construction noise permits are obtained, and also sorting the construction wastes if required. Non-hazardous construction wastes and residual materials will be sorted and separated into inert and non-inert portions. Recyclable or reuseable materials such as metals and concrete will be handled by recyclers, and the remaining sorted inert and non-inert portions will be handled by the waste collector engaged by the main contractors to dispose of at the relevant government waste disposal facilities (public fill reception facilities, sorting facilities or landfills) in accordance with the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, while any hazardous or toxic waste will be collected in a designated waste location with cautionary warning signs, and further handled by a licensed waste collector engaged by the main contractors. If the materiality of these two items increases in the future, the ESG working group will identify the data and disclose accordingly.

### *Occupational health and safety*

During the Track Record Period and up to the Latest Practicable Date, we recorded six work-related accidents and none of them were fatalities. For details of our accidents during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Occupational health and safety — Accidents during the Track Record Period" in this section. Accidents that give rise to employees' compensation claims and/or personal injury claims are generally covered by the insurance policies of the relevant main contractors. In addition, we have adopted numerous safety measures, including but not limited to:

- formulating safety policies in operating equipment and machines;
- providing safety training to employees at construction sites before their commencement of work on safe work practices and proper handling of any hazardous substances;
- ensuring our employees on the work sites possess a valid Construction Industry Safety Training Certificate (Green Card) and Construction Workers Registration Card;
- ensuring employees at construction sites are provided with necessary safety equipment; and
- conducting regular safety inspections on site and providing suitable warnings to employees on potential risks on site.

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Our Group has also implemented various precautions and safety measures for handling hazardous waste (if any), such as toxic materials, including but not limited to (i) requiring all workers to wear mask and appropriate personal protective equipment; (ii) placing warning signs and labelling the container holding the hazardous substance legibly with the name of the substance, hazard classification and symbol, particular risks inherent in the substance, and required safety precautions; (iii) prohibiting smoking in the work areas; and (iv) keeping the work sites well-ventilated. For further details on our Group's occupational health and safety, please refer to the paragraph headed "Occupational health and safety — Our current occupational health and safety standards system" in this section.

### *Quality control and supply chain risk management*

Our Group is dedicated to maintaining the high quality of our services, it has established a quality management system and implemented various measures to ensure the quality of our services, including but not limited to (i) monitoring and supervising the works conducted by our subcontractors to ensure compliance with customers' requirements and standards as well as the implementation and compliance with safety management system; (ii) maintaining records on the progress of the projects, issues identified from inspections and testing as well as status of timely rectifications; and (iii) careful selection of suppliers and ensuring quality and standards of the materials supplied. Our Group performs background checks and assessments prior to engaging the suppliers (including subcontractors), including their historical compliance with environmental and social-related laws and regulations (such as their waste, labour and occupational health and safety management). As abovementioned, our Group purchases from reputable and reliable approved suppliers, and suppliers with relevant ISO certifications (such as ISO 14001, ISO 9001, ISO 45001) or supply of low carbon construction materials such as products that obtained Construction Industry Council Green Product Certification, will have advantages during our Group's supplier selection process. In support of our quality control adopted, our Group has been accredited with ISO 9001 certification since 2014. For further details of our Group's quality control measures, please refer to the paragraph headed "Quality Control" in this section.

Our Group has also adopted various measures to ensure the safety of our materials used, including but not limited to (i) purchasing from reputable and reliable approved suppliers, preferably with relevant ISO certifications; (ii) performing periodic assessments on the products or materials used in our projects such as by examining the product specifications and relevant material safety data sheet (where available); and (iii) prohibiting the use of such materials (such as fire resistant paints, fire rated boards and fire rated doors) with carcinogenic substances in our projects as outlined in our internal control manual and checking that our materials (including fire resistant paints, fire rated boards and fire rated doors) used are free from carcinogenic substances. To the best knowledge, information and belief of our executive Directors, our Group's passive fire protection materials used in projects do not contain carcinogenic substances.



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### *Diversity, equity and inclusion*

Our Group embraces diversity and is committed to promoting the diversity of our employees to enhance the effectiveness of our corporate governance. We strive to achieve diversity not only in terms of gender, but also age, culture, educational background, professional qualifications, skills and industry experience. We ensure that our employees are recruited strictly based on their abilities through an impartial and transparent recruitment system. We support diversity, equity and inclusion in the workplace and believe that by providing all individuals with equal opportunities, we can make the most of their capabilities as part of our social responsibility. We acknowledge the value of gender diversity and will ensure gender diversity in our Board composition by having at least one female Director. Currently, the male to female ratio in our senior management is approximately 87.5:12.5, while it is approximately 74:26 in our workforce (including our senior management). We target to raise the ratio of females in our workforce (including senior management) to 30% to 40% of our workforce by 30 June 2024.

Our staff handbook clearly stipulated that no employee is to be mistreated, harassed, discriminated against, or deprived of any opportunities including but not limited to recruitment, promotion, training, and company welfare because of their nationality, religion, beliefs, disability, gender, age, birthplace, sexual orientation, values, workstyles and family status. These important values within our Group are well communicated to all our employees.

### *Community investment*

Our Group also cares about our social responsibility and our relationship with different stakeholders in the community. We will make continuous efforts in strengthening our communication with our employees internally and organise or attend community initiatives such as marathons and festivals to maintain our bonding with our employees and external stakeholders. We will also continue to provide support to non-profit, and charitable organisations through monetary and in-kind support. During the Track Record Period, we made donations to charitable organisations including a local charity dedicated to the support of young people through workshops, internship programs, and long-term employment opportunities and another international charity fighting blindness. Our donations to charities were approximately HK\$115,000 for the year ended 30 June 2022.

## RISK MANAGEMENT

### **Operational risks**

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Detailed risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For more details on the major risks identified by our management, please refer to the section headed "Risk factors — Risks relating to our business" in this document.

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### Financial risks

We face various financial risks, including credit risk and liquidity risk that arise during our ordinary course of business. Our Group has adopted the following key risk management measures to manage the financial risks in our business operations:

*(i) Credit risk management*

We face risks on collectability of our trade and other receivables, details of which are set forth in the section headed "Risk factors — Risks relating to our business — We are subject to credit risk with respect to the collectability of trade receivables and contract assets arising from our passive fire protection works" in this document.

We have adopted certain procedures to manage our credit risks (for further details, please refer to the paragraph headed "Pricing policy and credit management — Payment terms and credit management" in this section).

We generally provide our customers with a credit term of 14 days to 60 days from the invoice date. As at 30 June 2020, 2021 and 2022 and 31 October 2022, we recorded trade receivables (net of allowance for credit losses) of approximately HK\$11.5 million, HK\$17.3 million, HK\$12.1 million and HK\$16.8 million, respectively. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our trade receivables turnover days were approximately 23.9 days, 28.4 days, 22.9 days and 14.3 days, respectively.

*(ii) Liquidity risk management*

There is generally a time lag between making payment to our suppliers and receiving payment from our customers resulting in possible cash flow mismatch.

To manage our liquidity position against the cash flow mismatch from our projects, we have adopted the internal control measures that our financial controller will periodically monitor current and expected liquidity requirements and the compliance with debt covenants by reviewing financial statements, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet the liquidity requirements in the short and longer term.

### Environmental, social and climate-related risks

Our Board has an overall responsibility for overseeing and determining our Group's environmental, social and climate-related risks as well as opportunities impacting our Group via the annual risk assessment. Our Board will work closely with the Audit Committee and the ESG working group to identify and assess the key risk, including the ESG issues faced by our Group, details of which are set out in the paragraph headed "Environmental, social and corporate governance matters — C. Our strategies in addressing ESG-related risks and opportunities" in this section, and to identify future risks and opportunities, as well as identifying appropriate actions to cope with the ever-changing situations.

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### Compliance culture

Our Directors endeavour to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and to set expectations for individual behaviour across our organisation, we adopted a code of conduct as set out in our internal control manual. This manual also set out the relevant procedures, monitoring and reporting process we have adopted to ensure compliance with applicable legislation, rules and regulations.

### Key corporate governance measures

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have done, adopted or will adopt prior to [REDACTED], among other things, the following:

- Our Directors attended training session provided by our Hong Kong Legal Advisers on the on-going obligations and duties of a director of a company whose shares are [REDACTED] on the Stock Exchange.
- We have engaged Grande Capital Limited as our compliance adviser and will, upon the [REDACTED], engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the [REDACTED] Rules and/or other relevant laws and regulations applicable to our Company.
- Our Board is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. We will also have three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (for further details of their composition and duties, please refer to the section headed "Directors and senior management — Board committees" in this document).
- We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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]. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with Controlling Shareholders — Corporate governance measures" in this document.
- We shall establish systems and manuals in relation to distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

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### COMPETITIVE LANDSCAPE

According to the Industry Report, the passive fire protection works industry in Hong Kong is relatively concentrated and highly competitive with approximately 500 market participants engaged in passive fire protection works but less than 100 of them specialise in such works. For the year ended 30 June 2022, the top five market participants accounted for an aggregate market share of approximately 53.6% by revenue in the passive fire protection works market in Hong Kong. Our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong. For further details of the competitive landscape, please refer to the section headed "Industry overview — Competitive landscape of passive fire protection works market" in this document.