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Application Proof of

WK Group (Holdings) Limited

泓基集團(控股)有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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WK Group (Holdings) Limited
泓基集團(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sponsor

Grande Capital Limited 均富融資有限公司

[REDACTED], [REDACTED] and [REDACTED]

Grande Capital Limited 均富融資有限公司

華富建業證券 QUAM SECURITIES

元宇宙(國際)證券有限公司 Yuen Meta (International) Securities Limited

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A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this document, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on the **[REDACTED]**. The **[REDACTED]** is expected to be on or before 12:00 noon on **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced.

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

If, for any reason, the **[REDACTED]** is not agreed between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and our Company by 12:00 noon on **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to the exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable United States securities laws. The **[REDACTED]** are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

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

ATTENTION

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

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

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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

CONTENTS

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

BUSINESS OVERVIEW

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. We were established in 1999 and have since undertaken structural steelwork in the role of subcontractor. With two production facilities in Dongguan, the PRC, we possess our in-house capacity to process and fabricate structural steel tailored to the specifications of our customers. All of our structural steel production capacity is currently used to cater to our own project needs. According to the Industry Report, our Group ranked third in the Hong Kong structural steelwork industry in terms of revenue in 2022, and accounted for approximately 3.4% of the market share in 2022.

Structural steelwork refers to the fabrication and forming of steel structures, typically serving as the backbone of buildings and infrastructure during initial construction stage. Essentially, structural steelwork involves columns and beams which are riveted, bolted or welded together. Structural steelwork providers supply, cut, bend, weld and assemble structural steel frames, trusses and other components into structures in accordance with the specifications provided in the building plans and designs.

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) maintaining regular communication with our customers; (iv) monitoring the implementation of construction site works; (v) conducting site safety supervision and quality control; and (vi) developing detailed work schedule and work allocation plan. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred subcontracting fees of approximately HK$71.0 million, HK$48.9 million, HK$91.6 million and HK$57.2 million for our construction site works, representing approximately 29.3%, 32.9%, 39.8% and 34.9% of our total purchases, respectively.

Projects undertaken during the Track Record Period

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

During the Track Record Period, the majority of our revenue was derived from structural steelwork for infrastructure and public facilities. The following table sets forth a breakdown of our revenue during the Track Record Period by reference to project sectors and the types of development involved:

	FY2020			FY2021			FY2022		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000	*%*		*HK$'000*	*%*		*HK$'000*	*%*
Public sector									
– Infrastructure and public facilities	17	117,650	36.2	10	142,717	62.4	18	273,912	81.4
– Residential	5	25,476	7.9	4	8,936	3.9	3	10,721	3.2
Sub-total	22	143,126	44.1	14	151,653	66.3	21	284,633	84.6
Private sector									
– Commercial	12	169,410	52.2	13	76,850	33.6	13	51,741	15.4
– Residential	2	560	0.2	3	237	0.1	1	10	negligible
– Industrial	2	11,196	3.5	1	36	negligible	–	–	–
Sub-total	16	181,166	55.9	17	77,123	33.7	14	51,751	15.4
Total	38	324,292	100.0	31	228,776	100.0	35	336,384	100.0

	For the nine months ended 30 September					
	2022			2023		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000 *(Unaudited)*	*%*		*HK$'000*	*%*
Public sector						
– Infrastructure and public facilities	16	202,523	80.5	19	191,720	81.5
– Residential	3	6,207	2.5	2	3,915	1.7
Sub-total	19	208,730	83.0	21	195,635	83.2
Private sector						
– Commercial	10	42,828	17.0	8	37,053	15.8
– Residential	1	3	negligible	1	2,350	1.0
– Industrial	–	–	–	–	–	–
Sub-total	11	42,831	17.0	9	39,403	16.8
Total	30	251,561	100.0	30	235,038	100.0

Reasons for the decrease in our revenue for FY2021

Our Group's revenue decreased by approximately 29.5% from approximately HK$324.3 million for FY2020 to approximately HK$228.8 million for FY2021, which was mainly attributable to:

(i) Project No. #01, being our top project for FY2020 involving a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020, and no revenue was derived from Project No. #01 for FY2021; and

(ii) the unexpected change to our works schedule of Project No. #02, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$380.2 million. Our Group secured Project No. #02 from Hip Hing Group in late 2019 and started generating revenue from Project No. #02 by October 2019. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised revenue of approximately HK$71.3 million, HK$69.5 million, HK$193.2 million and HK$40.9 million, from Project No. #02, respectively. According to the original project schedule, our contract works were supposed to commence in or around late 2019 and complete by mid-2021. In anticipation of the tight project schedule and scale of works under Project No. #02, our Group had started procuring materials and commenced part of the structural steel fabrication works shortly after we secured this project.

By mid-2020, we were informed that our works schedule of Project No. #02 would be revised primarily due to changes in design and drawings of structural steelwork by the project owner and that the substantial part of our construction site works would be rescheduled to 2021.

Being mindful of the revised project schedule of Project No. #02 and in light of the constraint in our available resources, during the second half of 2020, our executive Directors considered that it was vital to temporarily refrain from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02. Our Group also decided to reserve a substantial amount of our then available resources, including the capacity at our production facilities and manpower of our project management staff, for Project No. #02, taking into consideration (a) the substantial part of our construction site works under Project No. #02 would be rescheduled to 2021; (b) the sizeable scale and amount of works involved under such project; (c) the expected workloads for other ongoing projects; (d) the uncertainty arising from the COVID-19 outbreak and the associated risks of labour shortage and disruption to the transportation between Hong Kong and the PRC; and (e) the need to preserve our industry reputation and business relationship with Hip Hing Group via the satisfactory completion of Project No. #02, which is a landmark sports infrastructure development in Hong Kong.

Later in mid-2021, our Group was informed that the substantial part of our construction site works under Project No. #02 would be further rescheduled due to the late handover of the relevant work sites to us. While pending instruction from Hip Hing Group for proceeding with our construction site works, we had continued to perform fabrication works in 2021 to ensure we could meet the revised project schedule of Project No. #02. The fabricated items have occupied significant storage space at our production facilities, thereby reducing our production capacity for undertaking other projects in 2021.

Amid the repeated rescheduling of Project No. #02, during the second half of FY2021, we attempted to recoup the expected revenue which would otherwise be generated from Project No. #02 in the absence of such rescheduling. We did this by tendering for new projects that have relatively shorter duration and could readily commence in the near term. Despite our efforts, the revenue generated from the projects we obtained during the second half of 2021 was not sufficient to compensate for the decrease in our revenue due to the lower amount of works performed under Project No. #02. In addition, as mentioned above, during the second half of 2020, we had temporarily refrained from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02, resulting in lower amount of works performed by us in FY2021. After mid-2021, our Group did not receive any further notice in relation to the rescheduling of Project No. #02 and a substantial part of our construction site works were carried out in 2022 in accordance with the last revised schedule. Pursuant to the contract terms of the service agreement for Project No. #02, in the event our contract works under Project No. #02 was not completed within the original schedule due to reason(s) other than our default, our Group shall be entitled to apply in writing to Hip Hing Group for an extension to project duration and claim for any additional costs reasonably incurred by us arising from the delay. Based on (i) our negotiation with Hip Hing Group; and (ii) the aggregate payment certification certified by Hip Hing Group exceeds the original contract sum of this project, the Directors are of the view that our Group was able to claim for substantial part of the increase in costs incurred by us arising from the rescheduling of Project No. #02 to Hip Hing Group.

Reasons for our relatively lower gross profit margin for FY2021

Our Group recorded a relatively lower gross profit margin of approximately 15.5% for FY2021 as compared to approximately 17.0% and 19.9% for FY2020 and FY2022, respectively, which was mainly due to the unforeseen rescheduling of our construction site works for Project No. #02 in mid-2021 as aforementioned. Due to the unanticipated rescheduling of Project No. #02, a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity were rendered idle or not fully utilised during FY2021, resulting in certain direct labour costs, manufacturing overheads and project administrative costs incurred, which amounted to approximately HK$1.9 million during FY2021 (the "**Idle Cost**"). In accordance with the relevant accounting standard, as the Idle Cost did not contribute to our Group's progress in satisfying our performance obligations amid the rescheduling of Project No. #02, our Group did not recognise the corresponding revenue for the Idle Cost by the time they were incurred, and such Idle Cost was not allocated to Project No. #02 or any particular project undertaken by our Group, but were recognised as unallocated costs in our Group's cost of services for FY2021. As a result, our Group's overall gross profit margin for FY2021 was lower as compared to that of FY2020 and FY2022.

Our strategy on public and private sector projects

During the Track Record Period, we identified business opportunities mainly through invitation for tender from customers. As we undertake structural steelwork in the role of subcontractor, all of our revenue generated was derived from projects awarded by construction contractors during the Track Record Period. Therefore, to a significant extent, our tender exposure depends on the types of projects obtained by our construction contractor customers. Our Group has all along remained open to, and possesses substantial track record in undertaking both public sector and private sector projects. Based on our past experience, as far as structural steelwork is concerned, our executive Directors consider that there is no material difference in the expertise and know-how required for public sector and private sector projects. Our Group generally determines whether we should proceed with the preparation of tender based on, amongst others, the scope of services, our capability, the expected complexity, our production capacity of structural steel, the available space at our production facilities for the fabrication process and storage of materials, our available financial and human resources and feasibility and profitability of the project. As long as our capacity and available resources allow, our Group will endeavor to respond to tender invitations received from customers, with little regard to the sector that the relevant projects belong to. Therefore, the proportion of our revenue derived from private and public sector projects may vary from period to period, largely affected by the projects obtained and undertaken by our construction contractor customers at the relevant times, rather than caused by any change in our business focus or strategy.

Private sector projects contributed approximately 55.9%, 33.7%, 15.4% and 16.8% of our total revenue for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. Our Group recorded a relatively higher percentage of revenue contribution from private sector projects for FY2020 mainly because we performed a substantial amount of works for Project No. #01 in the same year. Project No. #01 involved a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020 and no revenue was generated therefrom since FY2021.

Gross profit and gross profit margin

	FY2020		FY2021		FY2022		For the nine months ended 30 September 2022		For the nine months ended 30 September 2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Public sector projects	25,205	17.6	25,989	17.1	59,738	21.0	42,971	20.6	40,989	21.0
Private sector projects	29,833	16.5	9,429	12.2	7,201	13.9	6,311	14.7	6,005	15.2
	55,038	17.0	35,417	15.5	66,939	19.9	49,282	19.6	46,994	20.0

Our gross profit margin for public sector projects remained relatively stable at approximately 17.6% and 17.1% for FY2020 and FY2021, respectively. Our gross profit margin for public sector projects increased to approximately 21.0% for FY2022. The relatively higher gross profit margin for public sector projects for FY2022 was mainly attributable to a substantial amount of works was performed for projects with relatively higher gross profit margin during FY2022, namely (i) Project No. #09; (ii) Project No. #11; and (iii) a public sector project with an estimated contract sum of approximately HK$18.6 million, involving a residential development in Diamond Hill, from Sun Fook Kong Construction Limited. Please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations –

FY2022 compared with FY2021 – Gross profit and gross profit margin" in this document for further details. Our gross profit margin for public sector projects for the nine months ended 30 September 2022 and 2023 remained relatively stable at approximately 20.6% and 21.0%, respectively.

Our gross profit margin for private sector projects decreased from approximately 16.5% for FY2020 to approximately 12.2% for FY2021 and increased to approximately 13.9% for FY2022. The relatively lower gross profit margin for private sector projects for FY2021 and FY2022 was mainly attributable to a a substantial amount of works was performed for a project with relatively lower gross profit margin during FY2021 and FY2022, namely Project No. #07, being a private sector commercial development project located at Quarry Bay and one of our Group's top five projects for FY2021 and FY2022. Subsequent to the commencement of Project No. #07, our Group was informed by Hip Hing Group, being our customer for Project No. #07, that the installation works involved thereunder required steel plates with thinner thickness measurement. Such thinner thickness measurement specifications of the steel plates required higher standards of workmanship as well as more complicated fabrication and installation processes. As a result, to the best estimation of our Directors, our Group had incurred additional costs of approximately HK$3.5 million in aggregate for FY2021 and FY2022 owing to the unexpected complexity encountered from the fabrication and installation of structural steel works involved under Project No. #07. Project No. #07 contributed gross profit of approximately HK$2.0 million and HK$1.9 million to our Group for FY2021 and FY2022, respectively. We prepare our tender price based on a certain percentage of mark-up over our estimated costs and there is no assurance that the actual amount of time and costs incurred during the performance of our projects would not exceed our estimation. Any material inaccurate cost estimation or cost overruns may adversely affect our financial results. For further details, please refer to the paragraph headed "Risk factors – Any material inaccurate cost estimation or cost overruns may adversely affect our financial results" in this document.

Our gross profit margin for private sector projects for the nine months ended 30 September 2022 and 2023 remained relatively stable at approximately 14.7% and 15.2%, respectively.

Backlog

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

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**	**From 1 October 2023 up to the Latest Practicable Date**
Opening number of projects *(Note 1)*	43	33	39	28	21
Add: Number of new projects awarded to us *(Note 2)*	8	7	10	10	2
Less: Number of projects completed *(Note 3)*	(18)	(1)	(21)	(17)	(1)
Ending number of projects *(Note 4)*	33	39	28	21	22

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.

2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.

3. Number of projects completed means the number of projects which are practically regarded as completed.

4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

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

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**	**From 1 October 2023 up to the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening value of backlog as at the beginning of the relevant year/period	749,039	505,333	425,866	253,464	668,926
Add: Total value of original estimated contract sum of projects awarded and actual work orders received on re-measurement basis *(Note 1)*	66,081	118,450	108,049	621,552	41,259
Total value of variation orders	14,505	30,859	55,933	28,948	19,814
Less: Total revenue recognised during the relevant year/period	(324,292)	(228,776)	(336,384)	(235,038)	(155,514)
Ending value of backlog to be carried forward to next year/period *(Note 2)*	505,333	425,866	253,464	668,926	574,485

Notes:

1. Total value of original estimated contract sum of projects awarded means the original estimated contract sum of new projects awarded, or where applicable, the amount of actual work orders received by our Group on re-measurement basis.

2. Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.

PRODUCTION FACILITIES AND CAPACITY

Wing Kei Dongguan, our PRC operating subsidiary, operates two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our structural steelwork projects. Our Dapianmei Production Facility has a gross floor area of approximately 7,000 sq.m. and our Xinlong Production Facility has a gross floor area of approximately 8,700 sq.m.. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the utilisation rate of our Dapianmei Production Facility was approximately 96.8%, 80.1%, 85.8% and 86.2%, respectively; whereas the utilisation rate of our Xinlong Production Facility was approximately 85.3%, 76.2%, 77.6% and 78.3%, respectively.

Our Group recorded a relatively higher utilisation rate for FY2020 mainly because the production capacity of the Dapianmei Production Facility during its suspension between January to April 2020 in response to the lockdown measures imposed by the PRC Government as a result of the emergence of the COVID-19 pandemic was not taken into account in the calculation of its maximum production capacity for FY2020. Subsequent to the resumption of works at our Dapianmei Production Facility, our Group had optimised our machinery usage and manpower deployment in order to increase our production volume to keep pace with the original production schedule, thereby contributing to the relatively higher utilisation rate for FY2020. For details in relation to the fluctuation of the utilisation rates of our production facilities during the Track Record Period, please refer to the paragraph headed "Business – Production facilities and capacity – Utilisation rate" in this document.

Our principal machinery includes cranes, cutting machines, drilling machines, grinding machines and welding machines. Our machinery is well-equipped to be used for fabricating steel plates into different size and shapes. For further details, please refer to the paragraph headed "Business – Production facilities and capacity" in this document.

As at the Latest Practicable Date, we have entered into agreements in the PRC in relation to (i) a lease of land (the "**Leased Land**") and the property for the Dapianmei Production Facility ("**Leased Property No. 1**") for a term of 50 years from 13 July 1999 to 12 July 2049; and (ii) a lease of the property for the Xinlong Production Facility ("**Leased Property No. 2**", together with the Leased Land and Leased Property No. 1, collectively the "**Leased Properties**") for a term of two years from 23 October 2022 to 22 October 2024.

To the best of our Directors' knowledge and as advised by our PRC Legal Advisers, owing to historical reasons, (i) the landlords of the Leased Land and Leased Property No. 1 failed to obtain the land use right certificate（土地使用權證書）for the Leased Land, and the construction planning permit（建設工程規劃許可證）and property ownership certificate（房屋所有權證）for Leased Property No. 1; whereas (ii) the landlord of Leased Property No. 2 failed to obtain the construction planning permit（建設工程規劃許可證）and property ownership certificate（房屋所有權證）for Leased Property No. 2. In addition, both landlords failed to obtain the consent of over two-thirds of the members or over two-thirds of the representatives of villagers at the villagers' meetings of the relevant collective economic organisations in respect of the leases for the Leased Properties.

In the unlikely event of forced relocation due to the title defects in our leased properties as abovementioned, we would migrate our operations to other leased property(ies) in phases to mitigate the risks of complete suspension in our fabrication works and to minimise any potential adverse impact brought by the relocation.

Please refer to the paragraph headed "Business – Properties – Leased land and leased properties which are subject to title defects" in this document.

Our customers

During the Track Record Period, our customers mainly included construction contractors in Hong Kong, being the main contractors engaged by project owners. The number of customers with revenue contribution to our Group was 17, 17, 17 and nine for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. During the nine months ended 30 September 2023, our Group secured Project No. #13 from Hip Hing Group with an estimated contract sum of approximately HK$388.0 million, which represents the largest project obtained by us in terms of estimated contract sum during the Track Record Period. Based on our then negotiation with Hip Hing Group prior to the award of Project No. #13, our Directors were positive that we would be able to obtain Project No. #13. Hence, in anticipation of the proposed award of Project No. #13 and taking into consideration the scale and the expected workload involved in Project No. #13 and other ongoing projects, our Group had reserved our resources and capacity for fulfilling the project schedule required by our customers during the nine months ended 30 September 2023. As a result, notwithstanding the number of customers with revenue contribution to our Group decreased from 17 for FY2022 to nine for the nine months ended 30 September 2023, our Group recorded significant increase in backlog value from approximately HK$253.5 million as at 31 December 2022 to approximately HK$668.9 million as at 30 September 2023.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the revenue derived from our top customer for each year/period during the Track Record Period amounted to approximately HK$126.6 million, HK$151.6 million, HK$237.7 million and HK$118.3 million, respectively, while the revenue derived from our top five customers for each year/period during the Track Record Period amounted to approximately HK$296.6 million, HK$216.4 million, HK$315.6 million and HK$229.9 million in aggregate, respectively. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the percentage of our total revenue attributable to our top customer for each year/period during the Track Record Period amounted to approximately 39.0%, 66.3%, 70.7% and 50.3% respectively, while the percentage of our total revenue attributable to our top five customers for each year/period during the Track Record Period combined amounted to approximately 91.5%, 94.6%, 93.8% and 97.8%, respectively.

Hip Hing Group was our top customer for each year/period during the Track Record Period. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, Hip Hing Group contributed revenue of approximately HK$126.6 million, HK$151.6 million, HK$237.7 million and HK$118.3 million to our Group, respectively, which accounted for approximately 39.0%, 66.3%, 70.7% and 50.3% of our total revenue for the relevant year/period. According to the Industry Report, customer concentration is an industry norm in the structural steelwork industry in Hong Kong. As at the Latest Practicable Date, there were in total 50 structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works and our customers would generally select their structural steelwork subcontractor among the list.

According to the Industry Report, a sizeable structural steelwork project would normally have a contract sum of HK$100 million or above. The top five structural steelwork contractors in Hong Kong had an estimated revenue ranging from approximately HK$200 million to HK$475.5 million for the year of 2022. As such, where a structural steelwork contractor obtains any sizeable projects with contract sum of HK$100 million or above, such projects would likely contribute a significant portion of its revenue in the forthcoming years. Given the fragmented nature of the structural steelwork industry in Hong Kong as well as the business scale of the existing top market players, those structural steelwork contractors who are able to participate in one or more of the sizeable developments would inevitably end up being heavily reliant on the relevant main contractors and hence this may result in customer concentration for such structural steelwork contractor in the relevant periods.

Notwithstanding Hip Hing Group was our top customer in terms of revenue contribution to our Group for each year/period during the Track Record Period, there is no assurance that Hip Hing Group will continue to award projects to us as we undertake structural steelwork on a project-by-project basis.

When we undertake projects for our customers, there may be occasions where our customers procure materials and other services on our behalf and subsequently deduct such amounts in the relevant progress payments to us. The procurement made by our customers on our behalf mainly included materials such as steel and services such as machinery services and subcontracting services. For further details, please refer to the paragraph headed "Business – Top customers who were also our suppliers" in this document.

Our suppliers

Steel is the major material used for structural steel fabrication. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group purchased steel material in the amount of approximately HK$150.6 million, HK$62.3 million, HK$73.7 million and HK$85.9 million, representing approximately 55.9%, 32.2%, 27.3% and 45.7% of our cost of services for the corresponding year/period, respectively.

According to the Industry Report, the market price of steel experienced certain level of fluctuation during the Track Record Period. Particularly, the price index of steel plates in Hong Kong increased from 123.1 in 2020 to 196.3 in 2022, which was mainly attributable to the decrease in steel production in the PRC and the impact from the fifth wave outbreak of COVID-19. The price index of steel plates in Hong Kong is expected to decrease to 171.0 in

2023. For further details, please refer to the paragraph headed "Risk factors – Any price fluctuations of materials used for our structural steel fabrication may increase our production costs" in this document. Notwithstanding the increase in market steel price would generally lead to an increase in our Group's costs of materials, we were generally able to mitigate any financial impact brought by the increase in market steel price because we generally obtain pre-bid quotations from our steel suppliers during the tender phase and factor in the price trend of steel when determining our tender price. We may negotiate on the pricing and contract terms with them after we are awarded with the projects. Our Directors consider that we are generally able to pass on the increase in purchase costs to our customers because we generally take into account our overall costs of providing our services to customers when determining our tender price.

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) suppliers of materials such as steel; (ii) subcontractors of construction site works; (iii) subcontractors of structural steel fabrication works; and (iv) suppliers of other miscellaneous services such as testing, machinery services, transportation and technical engineering services.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred subcontracting fees for construction site works and structural steel fabrication works of approximately HK$75.9 million, HK$61.9 million, HK$105.3 million and HK$62.8 million in aggregate, respectively.

Licences, registrations and permits

Our principal operating subsidiary in Hong Kong, Wing Kei Hong Kong, is currently a registered subcontractor under the category of structural steelwork on the Register of Subcontractors maintained by the Construction Industry Council. Wing Kei Hong Kong is also registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of structural steelwork. For further details, please refer to the paragraph headed "Business – Licences, registrations and permits" in this document.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Industry Report, the market size of structural steelwork in Hong Kong increased from HK$9,411.0 million in 2018 to approximately HK$9,913.6 million in 2022, representing a CAGR of approximately 1.3%. Driven by various growth drivers including (i) the demand for structural steelwork generated from the planned and ongoing infrastructural and property developments in both public and private sectors in Hong Kong such as the Three Runway System development, Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South New Development Areas, New Central Harbourfront development and the Caroline Hill Road Causeway Bay commercial project; (ii) the increasingly common adoption of structural steelwork for construction in Hong Kong owing to its eco-friendliness nature, flexibility of use and better performance in achieving space efficiency; and (iii) the growing emphasis and continuous support from the Hong Kong government for the development of the structural steelwork industry, including the increase in use of steel structures by the Hong Kong government in major infrastructure projects and the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University ("**PolyU**"), which is likely to improve applied research and technology in structural steel engineering and infrastructure sustainability, as well as strengthen the structural steel engineering industry's productivity, capability and competitiveness. The market size of structural steelwork in Hong Kong is expected to continue to grow from approximately HK$10,409.2 million in 2023 to approximately HK$12,580.1 million in 2027, at a CAGR of approximately 4.8%.

According to the Industry Report, the structural steelwork market in Hong Kong is highly competitive. According to the Development Bureau, there are 50 contractors registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of structural steelwork, as of February 2024. As estimated, there are more than 500 market participants in the structural steelwork industry in Hong Kong. The top five players in the structural steelwork market in Hong Kong contributed 17.0% of the entire market in terms of revenue for the year ended 31 December 2022. Our Group recorded revenue of approximately HK$336.4 million for the provision of structural steelwork for the year ended 31 December 2022, which accounted for about 3.4% of the total industry revenue in Hong Kong.

We believe that our competitive strengths include: (i) we provide tailored solutions in relation to structural steelwork to our customers; (ii) we have an established track record in the structural steelwork industry in Hong Kong; (iii) our management team is experienced and dedicated; and (iv) we impose stringent quality control systems.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) competing for structural steelwork projects and expanding our market share; (ii) expanding our production capacity of structural steel; (iii) adhering to prudent financial management to ensure optimal finance costs and capital sufficiency; and (iv) expanding our workforce. For further details, please refer to the paragraph headed "Business – Business strategies" in this document.

SALES AND MARKETING AND PRICING STRATEGY

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

Our pricing is generally determined based on certain mark-up over our estimated costs. Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the complexity of the project; (iii) the estimated number and types of machinery required; (iv) the price trend of the types of materials, manufacturing overheads in the PRC, subcontracting services and machinery services required; (v) our available production capacity of structural steel; (vi) the completion time requested by customers; and (vii) the availability of our labour and financial resources.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk factors" in this document before making any investment decision in the **[REDACTED]**. Some of the more particular risk factors include the following: (i) most of our revenue during the Track Record Period was derived from projects awarded by our major customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance; (ii) reduction or termination of public and private sector projects in Hong Kong may adversely affect our revenue and results of operations; (iii) there is no guarantee that our customers will provide us with new businesses; and (iv) our projects may not proceed according to the original project schedule or budget, which may result in delay in recognition of our revenue and therefore adversely affect our cash flows, financial performance and results of operation.

KEY OPERATIONAL AND FINANCIAL DATA

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

Consolidated statements of comprehensive income

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	324,292	228,776	336,384	251,561	235,038
Cost of services	(269,254)	(193,359)	(269,445)	(202,279)	(188,044)
Gross profit	55,038	35,417	66,939	49,282	46,994
Profit before income tax expense	43,427	20,935	46,456	34,485	20,771
Income tax expense	(6,721)	(3,599)	(7,191)	(5,629)	(5,656)
Profit for the year/period attributable to owners of the Company	36,706	17,336	39,265	28,856	15,115
Other comprehensive (losses)/income	(1,149)	(636)	1,482	1,829	826
Total comprehensive income for the year/ period attributable to owners of the Company	35,557	16,700	40,747	30,685	15,941

Our revenue decreased by approximately HK$95.5 million or 29.5% from approximately HK$324.3 million for FY2020 to approximately HK$228.8 million for FY2021 which was mainly attributable to: (i) Project No. #01, with substantial amount of works performed during FY2020 and was completed at the end of FY2020. Project No. #01 contributed revenue of approximately HK$120.7 million for FY2020 while no revenue was derived from Project No. #01 for FY2021; and (ii) the rescheduling of our construction site works for Project No. #02. For details, please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations – FY2021 compared with FY2020" in this document.

Our revenue increased by approximately HK$107.6 million or 47.0%, from approximately HK$228.8 million for FY2021 to approximately HK$336.4 million for FY2022 which was mainly attributable to the unexpected change to our works schedule of Project No. #02, which contributed revenue of approximately HK$193.2 million for FY2022 and approximately HK$69.5 million for FY2021. For details, please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations – FY2022 compared with FY2021" in this document.

Our revenue decreased by approximately HK$16.5 million or 6.6%, from approximately HK$251.6 million for the nine months ended 30 September 2022 to approximately HK$235.0 million for the nine months ended 30 September 2023 which was mainly due to the combined effect of: (i) Project No. #02 contributed a relatively lower revenue of approximately HK$40.9 million for the nine months ended 30 September 2023 as compared to approximately HK$153.0 million for the nine months ended 30 September 2022, as substantial amount of construction site works was performed by our Group under the project in FY2022; (ii) Project No. #12 commenced works in April 2023 and contributed revenue of approximately HK$37.5 million for the nine months ended 30 September 2023 while no revenue was recognised for the nine months ended 30 September 2022; (iii) Project No. #11 contributed revenue of approximately HK$34.3 million for the nine months ended 30 September 2023 while revenue of approximately HK$1.4 million was recognised for the nine months ended 30 September 2022; (iv) Project No. #13 commenced works in September 2023 which contributed revenue of approximately HK$20.8 million for the nine months ended 30 September 2023 while no revenue was recognised for the nine months ended 30 September 2022; and (v) some new projects were awarded in 2023 while the purchase of materials, fabrication works and/or substantial site works are expected to be performed in or after the third quarter of 2023. For details, please refer to the paragraph headed "Financial information – Period-to-period comparison of results of operations – For the nine months ended 30 September 2023 compared with the nine months ended 30 September 2022" in this document.

Our profit for the year attributable to owners of our Company decreased by approximately HK$19.4 million or 52.8%, from approximately HK$36.7 million for FY2020 to approximately HK$17.3 million for FY2021, which was mainly attributable to (i) the decrease in gross profit by approximately HK$19.6 million resulting from the decrease in revenue as discussed above; (ii) decrease in other income and other gain/(loss), net by approximately HK$1.1 million resulting from the decrease in government grants received by our Group from the Employment Support Scheme under Anti-Epidemic Fund; and (iii) increase in administrative expenses by approximately HK$2.0 million owing to the increase in staff costs and decrease in exchange gain recognised in relation to our PRC operation; and partially offset by (iv) the decrease in our income tax expense by approximately HK$3.1 million.

Our profit for the year attributable to owners of our Company increased by approximately HK$21.9 million or 126.5%, from approximately HK$17.3 million for FY2021 to approximately HK$39.3 million for FY2022 which was mainly attributable to (i) the increase in gross profit by approximately HK$31.5 million resulting from the increase in revenue as discussed above; (ii) increase in other income and other gain/(loss), net by approximately HK$2.4 million resulting from the increase in government grants received by our Group from the Employment Support Scheme in 2022 under Anti-Epidemic Fund; and partially offset by the (iii) increase in administrative expenses by approximately HK$4.4 million due to exchange losses in relation to our PRC operation; (iv) increase in income tax expense by approximately HK$3.6 million; and (v) recognition of impairment losses on financial assets and contract assets of approximately HK$3.8 million for FY2022. For further details, please refer to the paragraph headed "Financial information - Period-to-period comparison of results of operations" in this document.

Our profit for the period attributable to owners of our Company decreased from approximately HK$28.9 million for the nine months ended 30 September 2022 to approximately HK$15.1 million for the nine months ended 30 September 2023 which was mainly attributable to the **[REDACTED]** of approximately HK$12.2 million incurred during the nine months ended 30 September 2023. For further details, please refer to the paragraph headed "Financial information - Period-to-period comparison of results of operations" in this document.

Highlights of our consolidated statements of financial position

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	22,268	17,521	22,653	20,093
Current assets	141,269	135,123	174,800	203,504
Non-current liabilities	2,575	501	4,192	458
Current liabilities	79,821	54,302	62,673	96,610
Net current assets	61,448	80,821	112,127	106,894
Net assets	81,141	97,841	130,588	126,529

Our net current assets increased from approximately HK$61.4 million as at 31 December 2020 to approximately HK$80.8 million as at 31 December 2021. The increase in our net current assets was mainly due to the decrease in current liabilities by approximately HK$25.5 million or 32.0%, in particular, the decrease in trade and retention payables of approximately HK$12.4 million and the decrease in bank borrowings of approximately HK$6.5 million for the repayments of bank borrowings by our Group for FY2020. Such increase was partially offset by the decrease in current assets by approximately HK$6.1 million or 4.4%.

Our net current assets further increased to approximately HK$112.1 million as at 31 December 2022. The increase in our net current assets was mainly due to the increase in current assets by approximately HK$39.7 million or 29.4%, in particular, the increase in cash and cash equivalents by approximately HK$59.2 million mainly attributable to our profitable operation. Our cash generated from operations amounted to approximately HK$82.2 million for FY2022. Such increase was partially offset by the increase in current liabilities by approximately HK$8.4 million or 15.4%.

Our net current assets decreased to approximately HK$106.9 million as at 30 September 2023. In particular, the increase in trade and retention payables by approximately HK$32.4 million outweigh the increase in current assets by approximately HK$28.7 million. Such difference was due to the difference in timing between the procurement of materials and services from our suppliers and subcontractors and the certification of our Group's payment application by the respective customers as at 30 September 2023. In addition, our Group recorded the decrease in cash and cash equivalents by approximately HK$51.8 million, which was mainly attributable to HK$20.0 million dividend paid.

Our net assets increased from approximately HK$81.1 million as at 31 December 2020 to approximately HK$97.8 million as at 31 December 2021, which was mainly attributable to the recognition of the profit for the year attributable to owners of our Company of approximately HK$17.3 million for FY2021.

Our net assets increased from approximately HK$97.8 million as at 31 December 2021 to approximately HK$130.6 million as at 31 December 2022, which was mainly attributable to the net effect of the recognition of the profit for the year attributable to owners of our Company of approximately HK$39.3 million for FY2022 and our dividends declared of approximately HK$8.0 million during FY2022.

Our net assets decreased from approximately HK$130.6 million as at 31 December 2022 to approximately HK$126.5 million as at 30 September 2023, which was mainly attributable to the net effect of the recognition of the profit for the period attributable to owners of our Company of approximately HK$15.1 million for the nine months ended 30 September 2023 and our dividends declared of approximately HK$20.0 million during the nine months ended 30 September 2023.

Highlights of consolidated statements of cash flows

	FY2020	FY2021	FY2022	For the nine months ended 30 September 2022	For the nine months ended 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash generated from/ (used in) operating activities	8,475	11,455	79,007	68,650	(14,773)
Net cash used in investing activities	(4,200)	(1,157)	(6,549)	(6,580)	(3,931)
Net cash used in financing activities	(7,919)	(13,129)	(15,414)	(10,754)	(30,786)
Net (decrease)/increase in cash and cash equivalents	(3,644)	(2,831)	57,044	51,316	(49,490)
Cash and cash equivalents at beginning of the year/period	18,148	14,536	11,729	11,729	68,696
Exchange difference on cash and cash equivalents	32	24	(77)	(115)	(85)
Cash and cash equivalents at end of the year/period	14,536	11,729	68,696	62,930	19,121

For the nine months ended 30 September 2023, we recorded net cash flows used in operating activities of approximately HK$14.8 million, which was mainly resulted from the negative adjustment to our profit before income tax expense due to (i) increase in contract assets by approximately HK$69.1 million; (ii) increase in trade and other receivables, deposits and prepayments by approximately HK$10.5 million; and partly offset by the positive adjustment due to (i) increase in trade payables, accruals and other payables by approximately HK$36.7 million; and (ii) the depreciation of right-of-use assets of approximately HK$3.1 million.

Key financial ratio

	FY2020 or as at 31 December 2020	**FY2021 or as at 31 December 2021**	**FY2022 or as at 31 December 2022**	**Nine months ended 30 September 2023 or as at 30 September 2023**
Gross profit margin	17.0%	15.5%	19.9%	20.0%
Net profit margin	11.3%	7.6%	11.7%	6.4%
Return on equity	45.2%	17.7%	30.1%	11.9%
Return on total assets	22.4%	11.4%	19.9%	6.8%
Current ratio	1.8 times	2.5 times	2.8 times	2.1 times
Quick ratio	1.8 times	2.5 times	2.8 times	2.1 times
Trade receivables turnover days	25.0 days	26.3 days	19.8 days	19.9 days
Trade payables turnover days	49.0 days	48.0 days	26.2 days	53.6 days
Gearing ratio	41.3%	21.7%	19.3%	10.7%
Net debt to equity ratio	23.4%	9.7%	(35.0%)	(4.4%)
Interest coverage	92.8 times	44.0 times	138.0 times	58.4 times

Our gearing ratio decreased from approximately 41.3% as at 31 December 2020 to approximately 21.7% as at 31 December 2021, which was mainly due to the repayment of bank borrowings during FY2021. Our gearing ratio subsequently decreased to approximately 19.3% as at 31 December 2022. Such decrease was mainly because of the increase in total equity during FY2022. Our gearing ratio further decreased to approximately 10.7% as at 30 September 2023. Such decrease was mainly due to the decrease in total borrowings.

For further details of the key financial ratio, please refer to the paragraph headed "Financial information – Key financial ratio" in this document.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), our Company will be owned as to **[REDACTED]** by WK (BVI). WK (BVI) is an investment holding company incorporated in BVI and is owned as to 30% by Mr. Kelvin Chan, 30% by Mr. Eddie Chan, 15% by Mr. WH Chan, 15% by Ms. Choi and 10% by Ms. Karen Chan. On the basis that Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan hold their respective interests in our Company through a common investment holding company, i.e. WK (BVI), which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company. WK (BVI), Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan are regarded as a group of Controlling Shareholders under the Listing Rules.

LEGAL COMPLIANCE

During the Track Record Period, we had certain non-compliance incidents relating to the laws and regulations in the PRC. We failed to make adequate social insurance and housing provident fund contributions for all our employees in accordance with certain legal and statutory requirements in the PRC during the Track Record Period. For further details, please refer to the paragraph headed "Business – Legal compliance – The PRC" in this document.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in certain claims, litigations and potential claim against our Group in the ordinary and usual course of our business. During the Track Record Period and up to the Latest Practicable Date, our Group was involved in certain settled or discontinued litigations including two duplicated contractual dispute claims, one employees' compensation claim, nine personal injury claims and three labour tribunal claims. As at the Latest Practicable Date, there was one ongoing civil litigation involving our Group in relation to a winding-up petition filed by us against a customer on insolvency grounds relying on its debts owed to our Group arising from balance of unpaid contract price under a subcontract entered into between our Group and the customer. For further details, please refer to the paragraph headed "Business – Litigations and claims" in this document.

OFFERING STATISTICS

Number of the **[REDACTED]**	:	**[REDACTED]** Shares (subject to the **[REDACTED]**)
[REDACTED]	:	Not more than HK$**[REDACTED]** per **[REDACTED]** and expected to be not less than HK$**[REDACTED]** per **[REDACTED]** (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and AFRC transaction levy)

	Based on an [REDACTED] of HK$[REDACTED] per Share *HK$*	**Based on an [REDACTED] of HK$[REDACTED] per Share** *HK$*
Market capitalisation *(Note 1)*	**[REDACTED]**	**[REDACTED]**
Unaudited pro forma adjusted consolidated net tangible assets per Shares *(Note 2)*	**[REDACTED]**	**[REDACTED]**

Notes:

1. The calculation of the market capitalisation of the Shares is based on **[REDACTED]** Shares in issue and to be issued immediately after completion of the **[REDACTED]** and taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate.

2. The unaudited pro forma adjusted net tangible assets have not been adjusted for dividends of HK$26,586,000 declared in January 2024. Had the dividends, totaling HK$26,586,000, been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$**[REDACTED]** and HK$**[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share respectively.

   Please refer to Appendix II to this document for the bases and assumptions in calculating the figures.

[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately HK$**[REDACTED]** million, comprising (i) **[REDACTED]**-related expenses, including **[REDACTED]**, of approximately HK$**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** million, including (a) fees paid and payable to legal advisers and reporting accountant of approximately HK$**[REDACTED]** million; and (b) other fees and expenses, including sponsor fees, of approximately HK$**[REDACTED]** million. Out of the amount of approximately HK$**[REDACTED]** million, approximately HK$**[REDACTED]** million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately HK$**[REDACTED]** million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$**[REDACTED]** million that shall be charged to profit or loss, **[REDACTED]** has been charged for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023. The **[REDACTED]** are expected to represent approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range) and the **[REDACTED]** is not exercised. Our Group's financial performance and results of operations for FY2023 and FY2024 will be adversely affected by the estimated expenses in relation to the **[REDACTED]**.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

Our operations in the PRC

Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC Government imposed lockdown measures in Dongguan, the PRC in the first quarter of 2020. Transport was restricted, major roads and highways were closed and factories were ordered to suspend operations. In response to the requirements of the local government authorities, our production facilities suspended from operations during the lockdown period.

Our Directors consider that impact of the lockdown on our business and financial performance for FY2020 was mitigated taking into consideration the suspension was only temporary and the operations of our production facilities resumed normal since May 2020; while the temporary suspension in our PRC production facilities hindered the progress of our fabrication works, the overall impact on us was partly mitigated as the structural steel required in some projects were already delivered to Hong Kong by the end of 2019 in view of the forthcoming Chinese New Year holiday in early 2020, and hence we were able to continue with our installation works for such projects during the first quarter of 2020. Once our production facilities resumed normal operations in May 2020, our Group had made efforts to fulfil the project schedule required by our customers. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material delay in fulfilling the project schedule required by our customers. As at the Latest Practicable Date, our Group also did not experience any material delay requested by our customers in relation to our projects on hand.

Subsequent to the withdrawal of the "zero-COVID-19" policy by late 2022, a number of our staff based in the PRC experienced infection which resulted in temporary loss of manpower for our structural steel fabrication and temporary disruption to the operation of our production facilities between November to December 2022. Our business operations in the PRC had resumed to normal by early 2023.

Our operations in Hong Kong

From January 2022 and up to April 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the "**Fifth Wave Outbreak**"), as the daily number of confirmed cases increased significantly during the period. Our Group experienced temporary disruption to the transportation of materials from Hong Kong to the PRC and finished products from the PRC to Hong Kong during 2022 since cross-border transportation was significantly disrupted. Our Directors consider that the temporary disruption to the transportation of materials and finished products did not have long-lasting adverse impact on our operation, taking into consideration that (i) cross-border transportation have gradually resumed to normal level as the pandemic came under control in 2022; and (ii) as contingency measures, our Group had engaged third party logistics services providers to deliver materials and finished products between Hong Kong and the PRC by sea instead of by road at that time to minimise the impact of such disruption on the supply of raw materials to our production facilities and structural steel to our work sites; and (iii) we were generally able to pass on part of the increase in logistics costs incurred by us from the delivery of materials and finished products between Hong Kong and the PRC by sea to our customers.

Save as disclosed above and based on information available as at the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic did not and will not have material adverse impact on our business operations and financial performance.

FUTURE PLANS AND USE OF [REDACTED]

The **[REDACTED]** to be received by us from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**, after deducting related expenses in connection with the **[REDACTED]**, are estimated to be approximately HK$**[REDACTED]** million. Our Directors presently intend that the **[REDACTED]** will be applied as follows: (i) approximately HK$**[REDACTED]** million, representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for financing the up-front costs of our projects; (ii) approximately HK$**[REDACTED]** million, representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for acquiring a piece of land within or in proximity to Dongguan, the PRC and setting up a new production facility; and (iii) approximately HK$**[REDACTED]** million, representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for further expanding and strengthening our manpower by recruiting three project managers and one engineer.

DIVIDEND

No dividend has been paid or declared by our Company for the Track Record Period.

Dividends of HK$8.2 million, nil, HK$8.0 million and HK$20.0 million were declared and settled by the companies now comprising our Group to their then shareholders, during each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. In January 2024, the Company declared dividends of approximately HK$26.6 million of which approximately HK$10.0 million will be settled by cash and approximately HK$16.6 million was offset against the aggregate amounts due from the Directors and the related company.

Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board. We do not have any pre-determined dividend payout ratio.

PROFIT ESTIMATE FOR [REDACTED]

Our Directors estimate, on the bases as set out in Appendix III to this document and in the absence of unforeseen circumstances, that our estimated consolidated profit attributable to owners of our Company for the **[REDACTED]** to be as follows:

Estimated consolidated profit attributable to owners of our Company for the **[REDACTED]**	not less than approximately HK$**[REDACTED]** million

Note: The estimated consolidated profit attributable to owners of our Company for the **[REDACTED]** has taken into account of our estimated **[REDACTED]** of approximately HK$**[REDACTED]** million incurred during the **[REDACTED]**.

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on the audited consolidated results of our Group for the nine months ended 30 September 2023 as set out in the Accountant's Report in Appendix I to this document and the unaudited consolidated results based on the management accounts of our Group for the **[REDACTED]**.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had 22 projects on hand with an aggregate of approximately HK$574.5 million yet to be recognised as revenue. For further details, please refer to the paragraph headed "Business – Projects on hand" in this document.

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 September 2023, and there had been no events since 30 September 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report. It is expected that our Group's net profit will decrease for FY2023 primarily attributable to the incurrence of **[REDACTED]** which is non-recurring in nature in FY2023.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

"Accountant's Report"	the accountant's report of our Company, the text of which is set forth in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on 5 February 2024, a summary of which is set out in Appendix IV to this document, as supplemented, amended or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate
"**[REDACTED]**	the allotment and issue of **[REDACTED]** new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further Information about our Group – 5. Written resolutions of our sole Shareholder passed on 5 February 2024" in Appendix V to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chairman"	the chairman of our Board, Mr. WH Chan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act"	the Companies Act (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (WUMP) Ordinance" or "Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company"	WK Group (Holdings) Limited（泓基集團（控股）有限公司）, an exempted company incorporated in the Cayman Islands with limited liability on 28 June 2023
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Construction Industry Council"	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi, Ms. Karen Chan and WK (BVI)
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"COVID-19"	the coronavirus pandemic, a global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Dapianmei Production Facility"	our leased production facility located at Dapianmei Village, Dalingshan Town, Dongguan City, Guangdong Province, the PRC（中國廣東省東莞市大嶺山鎮大片美村）

"Deed of Indemnity"	the deed of indemnity dated 5 February 2024 given by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix V to this document
"Development Bureau"	the Development Bureau of the Government
"Director(s)"	the director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)

[REDACTED]

[REDACTED]

"Extreme Conditions"	the extreme conditions the Government may announce in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides, or large-scale power outage caused by super typhoons according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department
"F&S" or "Frost & Sullivan"	Frost & Sullivan Limited, an independent market research agency, which is an independent third party

[REDACTED]

"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022

"FY2023"	the financial year ending 31 December 2023
"FY2024"	the financial year ending 31 December 2024
"FY2025"	the financial year ending 31 December 2025
"Government"	the Government of the Hong Kong Special Administrative Region
"Grande Capital" or "Sponsor"	Grande Capital Limited, the sponsor to our Company's application for the **[REDACTED]** and a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"Group", "we", "us" or "our Group"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hip Hing Group"	Hip Hing Group consists of two private limited liability companies and a joint venture, namely (i) Hip Hing Engineering Company Limited; (ii) Hip Hing Construction Company Limited; and (iii) Hip Hing Joint Venture (SPX1). Hip Hing Group is one of our top customers and suppliers during the Track Record Period and an independent third party
"HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC **[REDACTED]** channel"	the application for the **[REDACTED]** to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, instructing your broker or custodian who is a HKSCC Participant to submit an **[REDACTED]** application on your behalf through **[REDACTED]** in accordance with your instruction
"HKSCC Nominees"	HKSCC Nominees Limited
"HKSCC Operational Procedures"	the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including **[REDACTED]** and CCASS) as from time to time in force
"HKSCC Participant"	a person or company admitted for the time being by HKSCC as a participant
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Hong Kong Legal Counsel"	Ms. Queenie W.S. Ng, barrister-at-law of Hong Kong
"independent third party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial shareholders of our Company or any of its subsidiaries, or any of their respective associates
"Industry Report"	a market research report commissioned by us and prepared by F&S on the overview of the industry in which our Group operates
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organisations

"ISO 14001"	an environmental management system standard that maps out a framework that a company or organisation can follow to set up an effective environmental management system, to provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved
"ISO 14001:2015"	the 2015 version of the ISO 14001 standard
"ISO 45001"	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
"ISO 45001:2018"	the 2018 version of the ISO 45001 standard
"ISO 9001"	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
"ISO 9001:2015"	the 2015 version of the ISO 9001 standard
"Labour Department"	the Labour Department of the Government
"Latest Practicable Date"	20 February 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
"List of Approved Specialist Contractors for Public Works"	the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" maintained by the Development Bureau

[REDACTED]

"Listing Committee"	the Listing Committee of the Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company approved and adopted on 5 February 2024, a summary of which is set out in Appendix IV to this document, as supplemented, amended or otherwise modified from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
"Mr. Eddie Chan"	Mr. Chan Kam Kong (陳鑫江), the chief operating officer of our Group, an executive Director and one of our Controlling Shareholders. Mr. Eddie Chan is the son of Mr. WH Chan and Ms. Choi, and the brother of Mr. Kelvin Chan and Ms. Karen Chan
"Mr. Kelvin Chan"	Mr. Chan Kam Kei (陳鑫基), the chief executive officer of our Group, an executive Director and one of our Controlling Shareholders. Mr. Kelvin Chan is the son of Mr. WH Chan and Ms. Choi, and the brother of Mr. Eddie Chan and Ms. Karen Chan
"Mr. WH Chan"	Mr. Chan Wing Hong (陳永康), the chairman of the Board, a non-executive Director and one of our Controlling Shareholders. Mr. WH Chan is the spouse of Ms. Choi, and the father of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan
"Ms. Choi"	Ms. Choi Chick Cheong (蔡植昌), a non-executive Director and one of our Controlling Shareholders. Ms. Choi is the spouse of Mr. WH Chan, and the mother of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan
"Ms. Karen Chan"	Ms. Chan Suk Man (陳淑雯), an executive Director and one of our Controlling Shareholders. Ms. Karen Chan is the daughter of Mr. WH Chan and Ms. Choi, and the sister of Mr. Eddie Chan and Mr. Kelvin Chan
"Nomination Committee"	the nomination committee of the Board

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"PRC" or "China"	the People's Republic of China, which for the purpose of this document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, the PRC
"PRC Government"	the government of the PRC, including all political subdivisions (including provincial, municipal, and other local or regional government entities) and organisations of such government or, as the context requires, any of them
"PRC Legal Advisers"	China Commercial Law Firm, the legal advisers of our Company as to PRC law

[REDACTED]

[REDACTED]

"Project No. #01 to #13"	our top five projects for each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 in terms of revenue contribution to our Group
"Project No. O01 to O09"	some of our projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with estimated revenue of over HK$5 million to be recognised after the Track Record Period

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Register of Subcontractors"	the Register of Subcontractors maintained by the Construction Industry Council
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the **[REDACTED]** as described in the paragraph headed "History, development and Reorganisation – Reorganisation" in this document
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), which is the PRC government agency responsible for matters relating to foreign exchange administration
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)

[REDACTED]

"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 5 February 2024, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this document
"sq.ft."	square foot
"sq.m."	square metre

[REDACTED]

"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between WK (BVI) and the **[REDACTED]**, pursuant to which the **[REDACTED]** may borrow up to **[REDACTED]** Shares to cover any **[REDACTED]** in the **[REDACTED]**
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subcontractor Registration Scheme"	the Subcontractor Registration Scheme of the Construction Industry Council, which was substituted by the Registered Specialist Trade Contractors Scheme since 1 April 2019
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules and details of our substantial shareholders are set out in the section headed "Substantial Shareholders" in this document
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	FY2020, FY2021, FY2022 and the nine months ended 30 September 2023

[REDACTED]

[REDACTED]

"United States" or "U.S."	the United States of America

"U.S. Securities Act"	the Securities Act of 1933 of the United States, as amended, modified and supplemented from time to time
"US$"	United States dollars, the lawful currency of the United States of America
"Wing Kei Dongguan"	Dongguan Yongji Metal Component Manufacturing Co., Ltd.* (東莞永基金屬構件製造有限公司), a company established in the PRC with limited liability on 6 July 2015, and an indirect wholly-owned subsidiary of our Company
"Wing Kei Hong Kong"	Wing Kei Structural Metalworks Company Limited (永基金屬結構工程有限公司), a company incorporated in Hong Kong with limited liability on 28 July 1999, and an indirect wholly-owned subsidiary of our Company
"Wing Kei Management"	Wing Kei Management Limited, a company incorporated in Hong Kong with limited liability on 28 March 2023, and an indirect wholly-owned subsidiary of our Company
"WK (BVI)"	WK (BVI) Limited, a company incorporated in the BVI with limited liability on 26 June 2023, and one of our Controlling Shareholders
"WK Development"	WK Development Group Limited, a company incorporated in the BVI with limited liability on 4 July 2023, and a direct wholly-owned subsidiary of our Company
"Wo Lee Group"	Wo Lee Group consists of two private limited liability companies, namely Wo Lee Steel Company Limited and Qianhai Helida (Shenzhen) Supply Chain Management Company Limited* （前海和利達(深圳)供應鏈管理有限公司）. Wo Lee Group is one of our top suppliers during the Track Record Period and an independent third party
"Xinlong Production Facility"	our leased production facility located at 1/F, building no. 3-4, Xinlong Technology Park, 1 Lingchuang Street, Yongjun Road, Dalingshan Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市大嶺山鎮擁軍路嶺創街1號鑫隆科技園第3-4棟一樓)
"%"	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations, in Chinese or another language included in this document which are marked with "" is for identification purpose only. To the extent that there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.*

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR BUSINESS

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

A significant portion of our revenue was derived from our Group's major customers during the Track Record Period. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our top five customers for each year/period contributed revenue of approximately HK$296.6 million, HK$216.4 million, HK$315.6 million and HK$229.9 million to our Group, respectively, which accounted for approximately 91.5%, 94.6%, 93.8% and 97.8% of our total revenue for the corresponding year/period, respectively. In particular, Hip Hing Group contributed revenue of approximately HK$126.6 million, HK$151.6 million, HK$237.7 million and HK$118.3 million to our Group, respectively, which accounted for approximately 39.0%, 66.3%, 70.7% and 50.3% of our total revenue for each year/period during the Track Record Period, respectively. Save for Hip Hing Group, being our top customer for each year/period during the Track Record Period, the ranking and composition of our top five customers for each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 were substantially different.

We undertake structural steelwork on a project-by-project basis during the Track Record Period. There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

Reduction or termination of public and private sector projects in Hong Kong may adversely affect our revenue and results of operations

During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. Our public sector projects mainly involved infrastructure and public facilities as well as public residential developments. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we derived approximately 44.1%, 66.3%, 84.6% and 83.2% of our revenue from public sector projects. The nature, extent and timing of available public sector structural steelwork projects is determined by an interplay of a variety of factors, including the Hong Kong government's policies on the infrastructure and public facilities development, its land supply and public housing policy and the general conditions and prospects of the Hong Kong's economy. In the event the Hong Kong government reduces its expenditure on or changes its policy in relation to public residential and/or infrastructure and public facilities developments, the number of available public sector structural steelwork projects may decrease and our business, financial condition and results of operations may be materially and adversely affected.

In the face of the challenges of fiscal deficits and a declining reserve, the Hong Kong government may cut budget or delay projects involving infrastructure development. Public infrastructure works, such as the construction of roads, bridges, and transportation systems, play a significant role in urban development and act as catalysts for private construction, as they enhance connectivity, accessibility, and the overall attractiveness of an area.

Further, the persisting property market downturn in Hong Kong, delay in infrastructure works, slowdown in economic growth and surging interest rates have resulted in weaker sentiment of property buyers as well as the wait-and-see sentiment of commercial property developers, thereby resulting in a decrease in demand for private construction projects of residential buildings, commercial complexes and offices. In the event there is a significant decrease in the number of available private construction projects, resulting in a decrease in demand for structural steelworks associated therefrom, our business, financial condition and results of operations may be materially and adversely affected.

There is no guarantee that our customers will provide us with new businesses

Our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we recorded a tender success rate of approximately 16.7%, 8.9%, 10.1% and 11.5%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our pricing and tender strategy, competitors' tender and pricing strategies, the availability of our resources and subcontractors, level of competition and our customers' evaluation standards. Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

Our projects may not proceed according to the original project schedule or budget, which may result in delay in recognition of our revenue and therefore adversely affect our cash flows, financial performance and results of operation

The progress of our project schedule could be adversely affected by factors beyond our control, including (i) unforeseen changes in engineering and design by the main contractor or project owner; (ii) changes in market conditions or economic downturn; (iii) shortages of materials, subcontracting services and/or machinery services; (iv) labour disputes; (v) workplace accidents; (vi) natural disasters; (vii) acts of God or occurrence of epidemics; (viii) adverse weather conditions; or (ix) other unforeseen circumstances. Any changes to our project schedule or budget may affect our cash flows, financial performance and results of operations. Our customers generally make progress payments to us according to our work progress, and such payments are required to be certified by our customers before we issue an invoice to our customers. Project delay or rescheduling may result in delay in our recognition of revenue, which may in turn adversely affect our cash flows, financial performance and results of operation. During the Track Record Period, our Group experienced unexpected change to our project schedule for one of our major projects, namely Project No. #02. The unexpected delay of Project No. #02 resulted in a decrease in our revenue for FY2021 and a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity remaining idle or not fully utilised during FY2021, thereby resulting in our Group's lower gross profit margin for FY2021. For further details, please refer to the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document.

We depend on our suppliers for materials, and any shortage or delay in supply or deterioration in quality may materially and adversely affect our operations

We rely on our suppliers for the stable and timely delivery of steel, which represents our major type of material, on commercially acceptable terms to enable us to carry out structural steel fabrication. If there is any shortage of such materials or supplies or in the event of material delay in delivery by our suppliers, we may fail to fabricate our structural steel products and hence complete our projects on time or at all. There is no guarantee that we would be able to identify suitable alternative sources of supply at acceptable prices or with the required quantity and quality, or at all. Further, if there is any deterioration in the quality of materials from our suppliers, and we are unable to identify suitable alternative sources or detect the defective materials, the progress and quality of our works may be materially and adversely affected, thereby damaging our reputation and adversely affecting our financial results.

Any price fluctuations of materials used for our structural steel fabrication may increase our production costs

Steel is the principal type of material used for our structural steel fabrication. Key factors affecting the purchase price of materials include supply and demand in the market and market competition, many of which are beyond our control. According to the Industry Report, the price index of steel plates increased from 117.7 in 2018 to 196.3 in 2022, at a CAGR of approximately 13.6%. Specifically, the price index of steel plates in Hong Kong recorded a significant increase from 123.1 in 2020 to 184.3 in 2021, representing an annual growth rate of approximately 49.7%, primarily due to the decrease in steel production, the cancellation of export tax rebates of exported steel and the increase in export tariffs on major components of steel in the PRC. The price index of steel plates in Hong Kong further increased to 196.3 in 2022, representing an increase of approximately 6.5% as compared to 184.3 in 2021. Such increase in price of steel was primarily due to further decrease in steel production in the PRC in 2022 and the impact from the fifth wave outbreak of COVID-19. The price index of steel plates in Hong Kong is expected to decrease from 196.3 in 2022 to 171.0 in 2023 as a result of the relaxation of measures imposed by the PRC Government on containing the outbreak of COVID-19 which contributed to an increase in the supply of steel from the PRC. For further details on the historical price trend of our materials, please refer to the paragraph headed "Industry overview – Cost structure analysis" in this document.

We purchase materials from our suppliers on an order-by-order basis. We did not enter into any long-term supply agreement with our suppliers and we did not engage in any hedging activities to minimise the risk of price fluctuation of materials. Price fluctuations of our principal types of materials will affect our structural steel fabrication costs. We cannot assure you that we will be able to transfer any increase in cost of materials to our customers in a timely manner or at all. There is no guarantee that the cost of materials will remain stable in the future, or that any increase in price of materials will not lead to unexpected and potentially significant increase in our production costs. If we are unable to transfer the increase in cost of materials to our customers in a timely manner or at all, our profitability and profit margins may be adversely affected.

Disruptions, damages or destructions to our production facilities and machinery may materially and adversely affect our business, results of operations and financial condition

As at the Latest Practicable Date, our Group operates two production facilities located in Dongguan, the PRC, for structural steel fabrication, namely (i) the Dapianmei Production Facility with a gross floor area of approximately 7,000 sq.m.; and (ii) the Xinlong Production Facility with a gross floor area of approximately 8,700 sq.m..

Our ability to fabricate structural steel is dependent on the continued operation of our production facilities. Our production facilities are subject to inspection, maintenance and replacement of our machinery during which production capacity may be affected. Our production facilities are also subject to operation risks and disruptions such as interruptions of utilities supplies including water and electricity, labour disputes and industrial accidents. A power surge or outage could disrupt or even result in the halt of our structural steel fabrication process. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, fire, adverse weather conditions, theft or robbery. We may also need to incur additional cost to repair or replace any damaged machinery or equipment. Machinery may also break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or replaced, or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

In addition, our structural steel fabrication process may be disrupted due to (i) natural disasters such as typhoons and floods; (ii) political instability, riots, civil unrest and terrorist attacks; (iii) epidemics such as the Severe Acute Respiratory Syndrome (SARS), the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, COVID-19, since it could require our employees to be quarantined and/or our production facilities to be disinfected; and (iv) other events that are beyond our control in the regions where we operate.

We recorded certain non-compliances with the PRC laws and regulations. Any enforcement action against us may adversely affect our business and reputation

Our Group failed to make adequate social insurance and housing provident fund contributions for all our employees in accordance with certain legal and statutory requirements in the PRC during the Track Record Period. Pursuant to the relevant PRC laws and regulations, the possible legal consequences in respect of our failure to make adequate social insurance and housing provident fund contributions for all our employees include payment of all outstanding contributions and fines and compulsory enforcement by the relevant authority. As advised by the PRC Legal Advisers, Wing Kei Dongguan might be demanded to pay the outstanding social insurance contributions for a period of two years prior to the Latest Practicable Date of approximately RMB1.3 million and a late payment fee of approximately RMB0.3 million within a prescribed time limit. If Wing Kei Dongguan fails to make such payment within the prescribed time limit, the relevant authority may impose a further fine of one to three times of the abovementioned outstanding social insurance contributions. In respect of the outstanding housing provident fund contributions during the Track Record Period, the maximum amount that Wing Kei Dongguan might be ordered to pay would be approximately RMB1.5 million. For further details on the non-compliance incidents, please refer to the paragraph headed "Business – Legal compliance" in this document. If any of the PRC Government authorities takes enforcement action against us in relation to the non-compliance incidents, we may be ordered to pay fines and/or other penalties, which could adversely affect our business and reputation.

We may be required to relocate our production facilities as a result of title defects in our leased properties

We leased two production facilities, namely the Dapianmei Production Facility and Xinlong Production Facility, to fabricate structural steel for the structural steelwork projects in Hong Kong undertaken by Wing Kei Hong Kong. Dapianmei Production Facility is located at Dapianmei Village, Dalingshan Town, Dongguan City, Guangdong Province, the PRC（中國廣東省東莞市大嶺山鎮大片美村）with gross floor area of approximately 7,000 sq.m., while the Xinlong Production Facility is located at 1/F, building no. 3-4, Xinlong Technology Park, 1 Lingchuang Street, Yongjun Road, Dalingshan Town, Dongguan City, Guangdong Province, the PRC（中國廣東省東莞市大嶺山鎮擁軍路嶺創街1號鑫隆科技園3-4棟一樓）with gross floor area of approximately 8,700 sq.m. As advised by our PRC Legal Advisers, the Dapianmei Production Facility and Xinlong Production Facility have certain title defects, details of which are set out in the paragraph headed ''Business — Properties — Leased land and leased properties which are subject to title defects" in this document.

In case of forced relocation of our production facilities in our Dapianmei Production Facility and/or Xinlong Production Facility, we may suffer production interruption and loss and damage including relocation costs, additional rental expenses and operating losses. In the event of forced relocation from the Xinlong Production Facility, we would likely incur logistics and setup costs of approximately RMB0.2 million for the relocation. If we were forced to relocate from our Dapianmei Production Facility to another property of similar features, it is estimated that we would incur additional monthly rental expenses of approximately RMB200,000 to RMB220,000 as well as logistics and setup costs of approximately RMB0.2 million for the relocation. In addition, we might temporarily outsource some of our steel fabrication works to subcontractors in the event of forced relocation of our production facilities. To the best estimation of our Directors, we might have to incur additional subcontracting fees of approximately RMB2.0 million during the relocation. For details, please refer to the paragraph headed "Business – Leased Land and leased properties which are subject to title defects – Contingent relocation plan" in this document. As a result, our business operations and financial results may be materially and adversely affected.

If we are forced to relocate our operations from Dapianmei Production Facility and/or Xinlong Production Facility, we may need to lease an alternative premises for relocation. If we cannot identify alternative production facilities in a timely manner, we may experience delays before resuming production at full capacity or at all, and we may incur higher than expected loss of revenue and profits as well as further claims and/or liquidated damages due to delay and/or failure to deliver our structural steel for our projects. As such, our business, operating results and financial condition may be materially and adversely affected.

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

We may experience net cash outflows as project up-front costs at the preliminary stage of a project. The up-front costs of our projects generally include payment made to suppliers for materials, subcontracting fees for our construction site works subcontractors in Hong Kong and structural steel fabrication works subcontractors in the PRC, manufacturing overheads in the PRC and machinery service fees. Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incur project up-front costs; and (ii) the time when our accumulated net cash outflows in respect of a project starts to decrease from its peak is on average 11 months from the commencement of the project (the "**Up-front Period**"). In respect of our top projects for each year/period during the Track Record Period, we generally received the first progress payment from the relevant customer five months after commencement of the project. Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 12% of the contract sum of the project. The specific amount of up-front costs incurred may vary from project to project, depending on the scale of the project, the party being responsible for the procurement of materials, the schedule of project implementation and the length of our business relationships with the relevant customers. In addition, we may experience cash flow mismatch from time to time as our projects progress, which largely depend on (i) the certification process of our customers; (ii) our customers' internal process for approving our invoices; (iii) the required settlement time to our suppliers; and (iv) the number and scale of our projects in progress. The liquidity needs of our projects would therefore impose a constraint on the number and/or scale of the projects which we could undertake concurrently if we solely rely on our operating cash flow to support our expansion.

Our customers generally make progress payments according to our work progress, and such payments are required to be certified by our customers before we issue an invoice to our customers. In addition, our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of our customers or project owners. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts or a pre-agreed time period. As at 31 December 2020, 2021, 2022 and 30 September 2023, gross retention receivables of approximately HK$50.5 million, HK$53.4 million, HK$55.9 million and HK$63.0 million, respectively, were retained by our customers as retention monies. For further information, please refer to the paragraph headed "Business – Our customers – Principal terms of engagement" in this document.

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

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

A contract asset represents our Group's right to consideration from customers in exchange for the provision of structural steelwork that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has provided the structural steelwork under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or our Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable at the point when our Group's right to payment becomes unconditional other than passage of time.

Our Group recorded contract assets (net of provision for impairment) of approximately HK$97.1 million, HK$82.0 million, HK$73.8 million and HK$141.8 million as at 31 December 2020, 2021, 2022 and 30 September 2023, respectively. Our Group's contract assets comprised (i) unbilled revenue; and (ii) retention receivables for structural steelwork.

Our Group recorded unbilled revenue of approximately HK$48.6 million, HK$29.7 million, HK$20.7 million and HK$82.6 million as at 31 December 2020, 2021, 2022 and 30 September 2023, respectively. In addition, our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum. Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of our customers or project owners. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts or a pre-agreed time period. As at 31 December 2020, 2021, 2022 and 30 September 2023, our gross retention receivables amounted to approximately HK$50.5 million, HK$53.4 million, HK$55.9 million and HK$63.0 million, respectively. Please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities" in this document for a further discussion and analysis regarding our unbilled revenue and retention receivables.

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

Further, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 December 2020, 2021, 2022 and 30 September 2023, we recorded trade receivables (net of provision for impairment) of approximately HK$10.9 million, HK$22.1 million, HK$14.5 million and HK$19.8 million, respectively. In the event that we are unable to collect a substantial portion of our trade receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised (reversal of impairment losses)/impairment losses on financial assets and contract assets of approximately HK$0.2 million (reversal), HK$0.4 million (reversal), HK$3.8 million and HK$1.1 million, respectively. During FY2021, impairment losses of approximately HK$0.5 million and HK$0.3 million was made on the gross carrying amounts of trade receivables and retention receivables of a customer, respectively. For further details, please refer to the paragraph headed "Financial information – FY2021 compared with FY2020 – Reversal of impairment losses on financial assets and contract assets" in this document. During the nine months ended 30 September 2022, the cheques issued by the abovementioned customer were dishonoured. In April 2022, our executive Directors became aware that there was a winding-up petition against such customer. Our executive Directors considered that the chance of collecting the remaining outstanding receivables balance from the said customer was low. Therefore, impairment losses were made on the remaining gross carrying amounts of such trade receivables and retention receivables of approximately HK$2.1 million and HK$1.2 million, respectively. In 2022, our Group petitioned for the winding-up of the said customer on insolvency grounds. For further details, please refer to the paragraph headed "Business – Litigations and claims – (i) Ongoing civil litigation involving our Group as at the Latest Practicable Date" in this document.

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

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. For further details, please refer to the paragraph headed "Business – Our suppliers – Reasons for subcontracting arrangement" in this document. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on their quality of services, skills and technique, reputation, prevailing market price, delivery time and availability of resources in accommodating our requests.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our subcontracting fees for construction site works amounted to approximately HK$71.0 million, HK$48.9 million, HK$91.6 million and HK$57.2 million, respectively, representing approximately 29.3%, 32.9%, 39.8% and 34.9% of our total purchase for the corresponding year/period, respectively. There is no assurance that the work quality of our subcontractors can always meet the requirements and specifications of our Group and our customers. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could materially and adversely affect our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

In the event that our subcontractors of construction site works fail to follow the safety guidelines and other requirements imposed by our customers, we may be liable to pay to our customers the expenses and penalties incurred by them. In such circumstances, we generally do not claim our subcontractors for the costs and penalties incurred by us owing to our subcontractors' failure in complying with the safety procedures and other requirements imposed by our customers in order to maintain a stable relationship with our subcontractors. In such event, we may be subject to additional costs and penalties incurred by our subcontractors in relation to their failure to comply with the safety procedures and other requirements imposed by our customers.

In the event that employees of our subcontractors suffer personal injuries as a result of accidents arising out of and in the course of employment of the injured workers and/or involve in labour disputes, we may be involved in claims and litigations. During the Track Record Period and up to the Latest Practicable Date, we were involved in a number of claims and litigations with employees of our subcontractors which arose in the ordinary course of our business. Please refer to the paragraph headed "Business – Litigations and claims" in this document for further information. Such claims and litigations may adversely affect our industry reputation, which may in turn have a material and adverse impact on our business operations.

Unsatisfactory performance by or unavailability of our subcontractors of structural steel fabrication works may adversely affect our operation and profitability

During the Track Record Period, we outsourced all required galvanising works for structural steel to our subcontractors in the PRC. Apart from this, depending on our production capacity, we may also subcontract other parts of structural steel fabrication works to our subcontractors in the PRC. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred subcontracting fees for structural steel fabrication works of approximately HK$4.9 million, HK$13.0 million, HK$13.7 million and HK$5.6 million, respectively, representing approximately 2.0%, 8.8%, 6.0% and 3.4% of our total purchases for the corresponding year/period, respectively. There is no assurance that the work quality of our subcontractors can always meet the requirements and specifications of our Group and our customers. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could materially and adversely affect our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

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

We prepare our tender price based on a certain percentage of mark-up over our estimated costs. The percentage of mark-up may vary from project to project due to factors such as (i) the size, duration and sector of the project; (ii) years of business relationship with the customer; (iii) credit history and financial track record of the customer; (iv) the prospect of obtaining future contracts from the customer; (v) any possible positive effect of our Group's reputation in the structural steelwork industry; (vi) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components; and (vii) the prevailing market conditions. For further details on our pricing strategy, please refer to the paragraph headed "Business – Pricing strategy" in this document.

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

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

During the Track Record Period, our contracts with customers are generally on re-measurement basis. The actual amount of works to be carried out by us under our contract is subject to our customer's instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers may request additional or alteration of works beyond the scope of the contract during project implementation. Where the works under the variation order are the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accords with that of the contract. If there are no equivalent or similar items under the contract for reference, we will further agree on the rates with our customers. During the Track Record Period, our customers generally requested additional or alteration of works by issuing additional work orders stating the scope of works to our Group. Therefore, the scope of works for variation orders performed by our Group are properly agreed and accepted by the relevant customers prior to performing such variation orders. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done.

As such, there is no assurance that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects will not be substantially different from the original estimated contract sum as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders. As a result, there is no assurance that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

Failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension or non-renewal of our registration as a registered subcontractor on the Register of Subcontractors maintained by the Construction Industry Council or our registration on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau

Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. There is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to negative publicity and/ or suspension or non-renewal of our registration as a registered subcontractor on the

Register of Subcontractors maintained by the Construction Industry Council or our registration on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau, which in turn adversely affect our reputation, financial position and results of operation.

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

During the Track Record Period and up to the Latest Practicable Date, we recorded one accident involving our employee which arose in the ordinary course of our business. For further details, please refer to the paragraph headed "Business – Occupational health and work safety" in this document. Such accident record may adversely affect our industry reputation, which may in turn affect our prospect of receiving tender invitations from potential new customers or being awarded with future tenders from both our existing and potential new customers. Furthermore, we may have to incur additional costs to strengthen our safety management measures, such as recruiting additional safety supervision staff, which may have an adverse impact on our profitability.

We recorded net cash used in operating activities for the nine months ended 30 September 2023

We recorded net cash used in operating activities of approximately HK$14.8 million for the nine months ended 30 September 2023; whilst we recorded net cash generated from operating activities of approximately HK$8.5 million, HK$11.5 million and HK$79.0 million for FY2020, FY2021 and FY2022, respectively. Please refer to the paragraph headed "Financial information – Liquidity and capital resources – Cash flows" in this document for further information. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. Net cash used in operating activities may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

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

Our principal operating subsidiary in Hong Kong, Wing Kei Hong Kong, is currently a registered subcontractor under the category of structural steelwork on the Register of Subcontractors maintained by the Construction Industry Council. Subcontractors engaged under public sector projects initiated by the Hong Kong government for carrying out structural steelwork are generally required to be registered on the Register of Subcontractors of the Construction Industry Council. Renewal of registration as a registered subcontractor on the Register of Subcontractors is required every three or five years and is generally subject to certain technical and relevant industry experience requirements. There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, our reputation, our ability to obtain future businesses, and our business and financial position and prospects could be materially and adversely affected.

Failure to remain on the List of Approved Specialist Contractors for Public Works may result in a decrease in business opportunities and significantly hinder our business and affect our future financial results

Wing Kei Hong Kong, our principal operating subsidiary in Hong Kong, is registered on the List of Approved Specialist Contractors for Public Works under the category of structural steelwork. According to the Industry Report, as part of the tender conditions and to ensure quality assurance, main contractors would generally select structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works to carry out the structural steelwork in a construction project.

The retention on the List of Approved Specialist Contractors for Public Works is subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook revised and published by the Development Bureau in January 2024. For further details, please refer to the paragraph headed "Regulatory overview – Hong Kong – Laws and regulations in relation to contractor licensing regime and operation" in this document. The Secretary for Development of the Hong Kong government reserves the right to remove any contractor from the List of Approved Specialist Contractors for Public Works or take other regulatory actions against a contractor such as suspension, or where applicable, downgrading from confirmed status to probationary status if doubts arise as to the ability of a contractor to meet such criteria. Circumstances which may lead to the taking of regulating actions include unsatisfactory performance, failure to submit accounts or meet the financial criteria, poor site safety record, poor environmental performance, failure to submit a valid competitive tender for a period of three years, failure or refusal to implement an accepted tender, misconduct, violation of laws, etc.

In the event that Wing Kei Hong Kong fails to remain on the List of Approved Specialist Contractors for Public Works under the category of structural steelwork or if any of the aforesaid regulatory actions is taken against it such as suspension, main contractors may be less inclined to select our Group to carry out the structural steelwork in their construction projects, thereby materially and adversely affect our prospect, business and financial condition.

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

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

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

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

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our gross profit amounted to approximately HK$55.0 million, HK$35.4 million, HK$66.9 million and HK$47.0 million, respectively; while our gross profit margin was approximately 17.0%, 15.5%, 19.9% and 20.0%, respectively. However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

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

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

Our Group is exposed to foreign exchange risks, and any fluctuation in the exchange rates of RMB may affect our Group's financial performance

During the Track Record Period, most of our Group's sales are denominated in Hong Kong dollars while our Group's PRC operations are denominated in RMB. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, approximately 12.3%, 24.1%, 16.5% and 35.9% of our total cost of services were denominated in RMB, respectively. There can be no assurance that the exchange rate of RMB will remain stable against Hong Kong dollars. Appreciation of RMB against Hong Kong dollars may lead to an increase in costs of our operations. Our Group does not maintain any hedging policy or engage in any hedging activity. Hence any fluctuation in the exchange rate between Hong Kong dollars and RMB may adversely affect the financial performance and profitability of our Group.

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

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, each being our executive Director. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this document. Our key personnel as well as their management experience in the structural steelwork industry in Hong Kong are crucial to our operation and financial performance. Although we have entered into a service agreement with our executive Directors, there could be an adverse impact on our operation should any of our executive Directors terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business and financial position and prospects of our Group could be materially and adversely affected.

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

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

During the Track Record Period, our Group had from time to time received invitations for tenders when our available resources were occupied by other projects on hand. On occasion, in order to (i) maintain our business relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market development and pricing trends which are useful for tendering projects in the future, it was our strategy to respond to our customers' invitations by submitting tenders to the extent our resources allow. In such circumstances, our executive Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our tender price to become less competitive than those submitted by our competitors.

Therefore, our ability to successfully tender for new projects may be affected by the availability of our project management staff and subcontractors of construction site works. There is a risk that we may not be awarded with new contracts by our customers as our tenders may become relatively less competitive due to limitation in our service capacity.

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

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

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

We are exposed to claims arising from latent defects liability

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

If so requested by our customers, our contracts may include a defects liability period following the terms of the main contracts on back-to-back basis. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our negligence or failure to comply with our contractual obligation. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

Our insurance coverage may not be adequate to cover potential liabilities

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

Further, we may be subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other forms of economic loss.

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

Any significant resurgence of COVID-19 may adversely affect our operation and financial condition

Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC Government imposed lockdown measures in Dongguan, the PRC in the first quarter of 2020. Transport was restricted, major roads and highways were closed and factories were ordered to suspend operations. In response to the requirements of the local government authorities, our production facilities suspended from operations during the lockdown period.

Besides, from January 2022 and up to April 2022, Hong Kong recorded the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the "**Fifth Wave Outbreak**"), as the daily number of confirmed cases increased significantly during the period. Our Group experienced temporary disruption to the transportation of materials from Hong Kong to the PRC and finished products from the PRC to Hong Kong during 2022 since cross-border transportation was disrupted.

Any significant resurgence of COVID-19 in the PRC could have a material adverse impact on our business operations, including further suspension of our structural steel fabrication activities and restrictions on the delivery of our materials and structural steel products due to travel restrictions. There is also no assurance that any recurrence of COVID-19 outbreak in the PRC and/or Hong Kong can be effectively controlled and government authorities will not re-impose stringent measures such as closure of physical workplace premises, full-scale suspension of all business, social and other activities as well as other lockdown policy to control the spread of COVID-19.

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

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

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

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

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

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

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group received government grants of approximately HK$1.3 million, HK$0.1 million, HK$2.6 million and HK$40,000, respectively. Such government grants mainly represented wage subsidy granted under the Employment Support Scheme under the Anti-Epidemic Fund. These subsidies are offered to employers who have employed regular employees and paid mandatory provident fund ("**MPF**") for them. Wage subsidies were granted to our Group for the use of paying wages and MPF of regular employees from June 2020 to November 2020 and from May 2022 to July 2022. For further details on the government grants received by our Group, please refer to the paragraph headed "Financial information – Principal components of results of operations – Other income and other gain/(loss), net" in this document.

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

Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon (i) our planned expansion in production capacity of structural steel fabrication by acquiring a piece of land within or in proximity to Dongguan, the PRC and setup of new production facility; and (ii) our planned recruitment of additional staff

It is one of our business strategies to expand our production capacity of structural steel fabrication by acquiring a piece of land within or in proximity to Dongguan, the PRC and setting up a new production facility by utilising a portion of the **[REDACTED]** from the **[REDACTED]** so as to cope with our business development. Please refer to the section headed "Future plans and use of **[REDACTED]**" in this document for further details.

As a result of the acquisition of land and construction of a new production facility, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation of property, plant and equipment is calculated using the straight-line method. Therefore, it is estimated that additional depreciation expenses on property, plant and equipment of approximately RMB1.5 million (equivalent to approximately HK$1.6 million) will be incurred per annum upon completion of the acquisition of land and construction of the new production facility.

Besides, our business strategies also include the recruitment of additional staff by utilising a portion of the **[REDACTED]** from the **[REDACTED]** so as to cope with our business development. Please refer to the section headed "Future plans and use of **[REDACTED]**" in this document for details of the additional staff that we plan to employ by functions. Based on the intended timing of deployment of the **[REDACTED]** for recruitment and retention of all the additional staff, it is estimated that additional staff costs of approximately HK$**[REDACTED]** million will be incurred per annum.

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

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

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

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

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

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a competitive industry

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

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

According to the Industry Report, owing to Hong Kong's ageing population and increasingly stringent requirements on workers' skills and qualifications, the structural steelwork industry has been facing a severe shortage of experienced and skilled labour.

According to the Construction Industry Council, structural steel welder who aged 50 and above accounted for 60.6% of the workforce by the end of 2022. For further information regarding the problem of labour shortage and ageing workforce faced by the structural steelwork industry in Hong Kong, please refer to the paragraph headed "Industry overview – Market challenges and threats" in this document.

The supply and cost of labour in Hong Kong are affected by the availability of labour in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no guarantee that the supply of labour and labour costs will be stable. In addition, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) requires that an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK$40 per hour). There is no assurance that the statutory minimum wage will not increase in the future.

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

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

According to the Industry Report, the structural steelwork industry in Hong Kong has been facing the problem of increasing operating costs. The increase in operating costs is mainly attributable to the increasing wage trend of structural steelwork welders as well as the prices of steel plates, which are typically required in carrying out structural steelwork. For further details of the past price trend of such construction materials, please refer to the paragraph headed "Industry overview – Cost structure analysis" in this document. Any substantial increase in our costs of operation may materially and adversely affect our business and financial positions and prospects.

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

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

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

RISKS RELATING TO OUR OPERATIONS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could adversely affect our business, results of operations and financial condition

Wing Kei Dongguan, being our PRC operating subsidiary, operates two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our steelwork projects. Accordingly, our business, financial condition, results of operations and prospects may be materially affected by the economic, political and social conditions in the PRC.

The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC government. The PRC Government continues to play a significant role in regulating and supporting industrial development. It also exercises influence over PRC's economic growth through the allocation of resources, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in the PRC and, in turn, our business. While the PRC economy has experienced significant growth in the past 30 years, such growth has been uneven across both geographic regions and the various sectors of the economy. The PRC Government has implemented various measures to influence growth rates and to guide the allocation of resources. Some of these measures benefit the overall PRC economy but may have a negative effect on us. For example, our results of operations and financial condition could be adversely affected by governmental monetary policies, changes in interest rate policies, tax regulations or policies and regulations affecting the development of our industry.

The PRC Government's control of foreign currency conversions and restrictions on the remittance of RMB into and out of the PRC may limit our ability to utilise our cash effectively

During the Track Record Period, all of our revenue was derived in Hong Kong; whilst part of our cost of services were incurred in the PRC, mainly for the operation of our two production facilities in the PRC under Wing Kei Dongguan, being our PRC operating subsidiary. As a general practice, we remit cash into our bank accounts in the PRC by bank transfer to support our PRC operations. The cash remitted into the PRC is generally used for settling, amongst others, (i) our Group's trade payables due to suppliers of materials and subcontractors for structural steel fabrication works in the PRC; (ii) direct labour costs attributable to our employees in the PRC; and (iii) costs incurred for transportation and other miscellaneous services procured in the PRC.

Any future restrictions on currency exchanges and restrictions on the remittance of currency into the PRC may limit our ability in settling the costs and expenses incurred by us in the PRC; whilst any future restrictions on currency exchanges and restrictions on the remittance of currency out of the PRC may restrict our ability to convert our bank balances from RMB into HKD and remit our cash deposited into our PRC bank accounts out of the PRC.

Although the PRC Government introduced regulations in 1996 to allow greater convertibility of RMB for current account transactions, significant restrictions still remain, including primarily the restriction that enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents. In addition, remittance of foreign currencies abroad and conversion of RMB for capital account items, including direct investment and loans, is subject to government approval in the PRC, and companies are required to open and maintain separate foreign exchange accounts for capital account items. On 19 November 2012, SAFE promulgated the Notice on Further Improve and Adjust the Direct Investment Foreign Exchange Administration Policies (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》)(the "**Circular 59**") according to which, certain administrative approval procedures were simplified, or abolished to approve the direct investment foreign exchange administration. For example, foreign-invested enterprises, like our PRC subsidiary, may increase its registered capital by using its legal earnings including capital reserves, surplus reserves or accumulated profits or re-invest them without obtaining prior foreign exchange approvals from SAFE. On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理辦法的通知》) (the "**Circular 19**"). Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign investment enterprises and allowed foreign investment enterprises to settle their foreign exchange capital at their discretion, but continued to prohibit foreign investment enterprises from using funds denominated in RMB converted from any foreign currency for expenditures beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. Furthermore, the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on 1 June

2015 and was amended on 30 December 2019, cancels certain administrative approval procedures relating to the domestic and overseas direct investment in certain districts, and the foreign exchange registration for domestic direct investment shall be directly reviewed and handled by qualified banks. On 9 June 2016, SAFE promulgated the Notice of the SAFE on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》), (the "**Circular 16**") effective on 9 June 2016, which reiterates some rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises. On 23 October 2019, SAFE issued the Notice of SAFE on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. Foreign invested enterprises that are not classified as investment companies are allowed to make domestic equity investments by using their capital, provided that they are not in violation of the prevailing special administrative measures for access to foreign investments (negative list), and provided that the relevant domestic investment projects are authentic and in compliance with the relevant regulations. However, we cannot assure you the regulatory authorities of the PRC will continue or further lift the restrictions on foreign exchange administration or will not impose more stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB out of the PRC.

Uncertainties in the interpretation and application of PRC laws could adversely affect our business, results of operations and financial conditions

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases are for reference only. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. Our PRC subsidiary is subject to laws and regulations applicable to foreign investment in the PRC in general and laws and regulations applicable to foreign-invested enterprises in particular.

However, there are uncertainties in the interpretation and application of these laws and regulations. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, it may be more difficult to evaluate the outcome of administrative and court proceedings. In addition, such uncertainties, including the inability to enforce our contracts, could adversely affect our business and operations. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published in a timely manner, if any. As a result, we may not be aware of our violation of these policies and rules until some time after the violation, or we may have to go through further approval, registration or filing procedures as required by the relevant PRC governmental authorities. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. Furthermore, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and our foreign investors.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment

On 3 February 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax Deriving from the Indirect Transfers of Properties among Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Announcement 7**") which was amended on 17 October 2017 and 29 December 2017. The Announcement 7 repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Income From Transfers of Equity Interests by Non-resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the "**Circular 698**"), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, and the Announcement on the Administration of Enterprise Income Tax on Income of Non-resident Enterprises (《關於非居民企業所得稅管理若干問題的公告》), issued by the SAT on 28 March 2011, with respect to a non-resident enterprise transferring the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, or indirect transfer, and stipulates more detailed rules for tax treatment of indirect transfer of equity interest in PRC resident enterprises and other assets situated in the PRC. Announcement 7 has broadened the scope of the indirect transfer under Circular 698 to non-resident enterprises' indirect transfer of (i) the assets of an "establishment or place" situated in the PRC; (ii) real estate/immovable property situated in the PRC; and (iii) equity interest in Chinese resident enterprises. The Announcement 7 has also elaborated on how to determine that an indirect transfer has "a reasonable commercial purpose" and specified the legal consequences for failing to withhold and pay tax. We may conduct acquisitions involving changes in corporate structures in the future and Announcement 7 may be interpreted by the relevant tax authorities to be applicable. As a result, we may be required to expend valuable resources to comply with the Announcement 7 and other related tax rules, which could adversely affect our business, results of operations and financial conditions in the future.

Inflation in the PRC could increase our production costs

Inflation rates in the PRC have been volatile in recent years. Increasing inflation in the PRC could cause a rise in the rental costs, wages, materials and other expenses, which will in turn increase our structural steel fabrication costs. We cannot assure you that the volatility in inflation rates will not continue in the future and/or we will be able to transfer any increase in structural steel fabrication costs resulting from inflation in the PRC to our customers in a timely manner or at all. If we are unable to transfer the increase in structural steel fabrication costs to our customers in a timely manner or at all, our profitability and profit margins may be adversely affected.

RISKS RELATING TO THE [REDACTED]

Investors will experience immediate dilution

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

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

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

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

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

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

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

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

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

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

Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), our Controlling Shareholders will be interested in **[REDACTED]** of our Shares. Our Controlling Shareholders will therefore, have a significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporation actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

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

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

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

Dividends of HK$8.2 million, nil, HK$8.0 million and HK$20.0 million were declared and settled by the companies now comprising our Group to their then shareholders during each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. In January 2024, the Company declared dividends of approximately HK$26.6 million of which approximately HK$10.0 million will be settled by cash and approximately HK$16.6 million was offset against the aggregate amounts due from the Directors and the related company.

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

RISKS RELATING TO THIS DOCUMENT

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

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

You should read the entire document and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the [REDACTED]

There may be press and media coverage regarding us or the **[REDACTED]**, which may include certain events, financial information, financial projections and other information about us and the **[REDACTED]**. We have not authorised the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy and completeness of such press and media coverage and we make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the information included in this document in making your investment decision regarding our Shares. By applying to purchase our Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

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

Included in this document are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this document. Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the **[REDACTED]** including, in particular, any financial projections, valuations or other forward-looking statements.

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

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the **[REDACTED]**, our Company has sought and [has been granted] the following waiver from strict compliance with the relevant provisions of the Listing Rules and certificates of exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Rule 4.04(1) of the Listing Rules requires our Company to include in the document an accountant's report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the document or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all documents to include an accountant's report which contains matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires us to include in the document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of the document.

Paragraphs 31(1) and (3) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require us to include in the document a report by auditors of our Company with respect to the financial results of our Group for each of the three financial years immediately preceding the issue of the document.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Appendix II to Chapter 1.1A of the Guide For New Listing Applicants issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

(a) the applicant must **[REDACTED]** on the Stock Exchange within three months after the latest year end;

(b) the applicant must obtain a certificate of exemption from the SFC on compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;

(c) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the document or the applicant must provide justification why a profit estimate cannot be included in the document; and

(d) there must be a directors' statement in the document that there is no material adverse change to its financial and trading position or prospects with specific reference to the trading results from the end of the stub period to the latest financial year end.

The Accountant's Report for each of the three financial years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 has been prepared and set out in Appendix I to this document.

Pursuant to the relevant requirements set forth above, our Company is required to include three full years of audited accounts for the years ended 31 December 2021, 2022 and 2023 in this document. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver [has been granted] by the Stock Exchange on the conditions that:

(a) this document will be issued on or before **[REDACTED]** and the Shares will be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]**;

(b) our Company will obtain a certificate of exemption from the SFC on exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;

(c) a profit estimate **[REDACTED]** will be included in this document; and

(d) there will be a directors' statement in this document that there is no material adverse change to our financial and trading positions or prospect with specific reference to the trading results since 30 September 2023 to 31 December 2023.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) the particulars of the exemption are disclosed in this document;

(b) the issuance of this document on or before **[REDACTED]**; and

(c) our Company shall be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]**.

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that the waiver and exemption from the above requirements will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome given the following:

(a) there will not be sufficient time for our Company and the reporting accountant of our Company to finalise the audited consolidated financial statements for the year ended 31 December 2023 for inclusion in this document. If the consolidated financial information is required to be audited up to 31 December 2023, our Company and our reporting accountant would have to undertake a considerable amount of work to prepare, update and finalise the consolidated financial information to be included in this document and to update the relevant disclosures in this document to cover such additional period within a short period of time;

(b) our Directors and the Sponsor, after conducted sufficient due diligence, confirmed that, except to the extent disclosed in the paragraph headed "Summary – Recent Development" in this document, there had not been any material adverse change to our financial and trading positions or prospect with specific reference to the trading results since 30 September 2023 and up to the date of this document which will materially affect the information shown in the Accountant's Report, the profit estimate **[REDACTED]**, the section headed "Financial Information" and other parts of this document;

(c) our Company has included in this document (i) the Accountant's Report covering the three financial years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 as set out in Appendix I to this document; (ii) a profit estimate **[REDACTED]** (in compliance with Rules 11.17 to 11.19 of the Listing Rules) as set out in Appendix III to this document; and (iii) information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, trading position, management and prospects of our Group has been disclosed in this document; and

(d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended 31 December 2023 on or before 31 March 2024 and 30 April 2024, respectively. In this regard, our Directors consider that the Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2023.

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Chan Kam Kei (陳鑫基)	Flat D, 19/F, Block 9 The Cairnhill 108 Route Twisk Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Chan Kam Kong (陳鑫江)	Room A, 12/F The Ultimate 170 Boundary Street Kowloon Hong Kong	Chinese
Ms. Chan Suk Man (陳淑雯)	Flat F, 27th Floor, Block 3 Villa Esplanada 8 Nga Ying Chau Street Tsing Yi, New Territories Hong Kong	Chinese
Non-executive Directors		
Mr. Chan Wing Hong (陳永康)	Flat A, 36th Floor, Block 3 Villa Esplanada 8 Nga Ying Chau Street Tsing Yi, New Territories Hong Kong	Chinese
Ms. Choi Chick Cheong (蔡植昌)	Flat A, 36th Floor, Block 3 Villa Esplanada 8 Nga Ying Chau Street Tsing Yi, New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Cha Ho Wa (車灝華)	Flat D, 4th Floor Wai Sing Mansion Taikoo Shing 12 Taikoo Shing Road Hong Kong	Chinese

Name	Residential address	Nationality
Mr. Yu Chun Kit (余俊傑)	Flat A, 4th Floor, Block 1 Kam Lung Mansion 22 Fung Kam Street Yuen Long, New Territories Hong Kong	Chinese
Mr. Liu Chi Kwun Albert (廖志崑)	Flat B, 11th Floor, No. 212 Harvest Court 212-216 Argyle Street Kowloon City, Kowloon Hong Kong	Chinese

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

PARTIES INVOLVED

Sponsor	**Grande Capital Limited** *A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities* Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
Legal advisers to our Company	*As to Hong Kong law* **ONC Lawyers** 19/F, Three Exchange Square 8 Connaught Place Central Hong Kong **Ms. Queenie W.S. Ng** *Barrister-at-law* Rooms 2203 A&B Fairmont House 8 Cotton Tree Drive Central Hong Kong *As to PRC law* **China Commercial Law Firm** 21-26/F, Hong Kong CTS Tower No. 4011 Shennan Boulevard Futian District, Shenzhen PRC

	As to Cayman Islands law **Appleby** Suites 4201-03 & 12, 42/F One Island East, Taikoo Place 18 Westlands Road, Quarry Bay Hong Kong
Legal advisers to the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED]	*As to Hong Kong law* **David Fong & Co.** Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong
	As to PRC law **Commerce & Finance Law Offices** 23/F, Building A, CASC Plaza No. 168 Haide 3rd Road Nanshan District Shenzhen, 518067 PRC
Reporting accountant and auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Compliance adviser	**Grande Capital Limited** Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong
Industry consultant	**Frost & Sullivan Limited** Unit 3006, 30/F Two Exchange Square 8 Connaught Place Central Hong Kong
[REDACTED]	**[REDACTED]**

CORPORATE INFORMATION

Registered office	Suite 102, Cannon Place P.O. Box 712 North Sound Rd. George Town Grand Cayman KY1-9006 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1510-1511, 15th Floor Fortune Commercial Building 362 Sha Tsui Road Tsuen Wan, New Territories Hong Kong
Company's website	www.wing-kei.com.hk *(Note: information contained in this website does not form part of this document)*
Company secretary	Mr. Tam Hon Fai *Certified Public Accountant* Room 1510-1511, 15th Floor Fortune Commercial Building 362 Sha Tsui Road Tsuen Wan, New Territories Hong Kong
Authorised representative(s) ***(for the purposes of the Listing Rules)***	Ms. Chan Suk Man Flat F, 27th Floor, Block 3 Villa Esplanada 8 Nga Ying Chau Street Tsing Yi, New Territories Hong Kong Mr. Tam Hon Fai *Certified Public Accountant* Room 1510-1511, 15th Floor Fortune Commercial Building 362 Sha Tsui Road Tsuen Wan, New Territories Hong Kong
Audit committee	Mr. Yu Chun Kit *(Chairperson)* Mr. Cha Ho Wa Mr. Liu Chi Kwun Albert
Remuneration committee	Mr. Cha Ho Wa *(Chairperson)* Mr. Chan Kam Kei Mr. Yu Chun Kit

CORPORATE INFORMATION

Nomination committee	Mr. Chan Kam Kei *(Chairperson)* Mr. Liu Chi Kwun Albert Mr. Yu Chun Kit
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal banker	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong

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

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Hong Kong structural steelwork market. The report prepared by Frost & Sullivan for us is referred to in this document as Industry Report. We agreed to pay Frost & Sullivan a fee of HK$400,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence, and corporate strategy.

We have included certain information from the Industry Report in this document because we believe this information facilitates an understanding of the Hong Kong structural steelwork market for the prospective investors. The Industry Report includes information of the Hong Kong structural steelwork market as well as other economic data, which have been quoted in this document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong structural steelwork market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, F&S assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the Hong Kong structural steelwork market.

OVERVIEW OF HONG KONG STRUCTURAL STEELWORK MARKET

Definition and Classification

Structural steelwork refers to the fabrication and forming of steel structures, typically serving as the backbone of buildings and infrastructure during initial construction stage. Essentially, structural steelwork involves columns and beams which are riveted, bolted or welded together. Structural steelwork providers supply, cut, bend, weld and assemble structural steel frames, trusses and other components into structures in accordance with the specifications provided in the building plans and designs.

Due to the strength, durability, availability, and ease of pre-fabrication of steel, structural steelwork also allows for flexibility in design, reducing the time required for on-site assembly and can help to speed up the entire construction process. The use of pre-fabricated steel structures reduces on-site construction time and provides an efficient, precise and quality-controlled method of building. Structural steelwork requires high levels of technical skill, expertise and certification to meet strict safety and building standards. The scope of structural steelwork include:

➢ **Steel Structure Fabrication:** Cutting, bending and welding steel members into frames, trusses, columns, beams, etc. as required for the construction project. This is done in a fabrication workshop.

➢ **Steel Formation:** Transporting the fabricated steel members to the construction site and assembling them into the required structural steel framework. This involves lifting, placing and joining the steel pieces together using bolts or welds.

➢ **Additional Finishing Works:** Installing additional components like floor beams, metal decking, stairs, handrails, etc. to the basic steel structure. This is done to complete the structural skeleton and reinforcement.

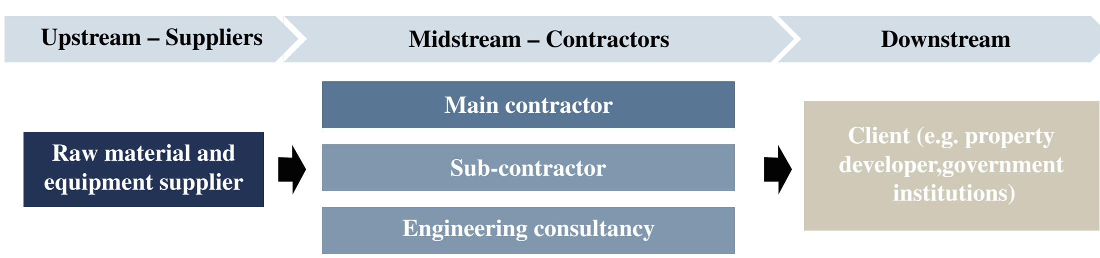
Value Chain

Upstream raw material and equipment suppliers provide relevant steel plates, bars, beams, columns, etc. from steel mills and suppliers, as well as machineries such as cutting, bending and welding machines. Main contractors in the midstream focus on pre-fabrication, where raw steel materials are cut, welded and pre-assembled into structural sections at fabrication plants according to the building plans and designs. This pre-fabrication process aims to minimise on-site construction work. Subsequently, pre-fabricated steel sections are erected and assembled on site, connected to the building's concrete foundations, and subsequently concrete floor slabs, beams and columns are then added to support the weight of the building.

Typically, main contractors in the midstream are responsible for supervising the overall progress and quality of the construction project, monitoring the daily operation of the construction site and coordinating subcontractors to carry out construction works. Main contractors would generally subcontract some of the construction works to subcontractors with specialist licenses or capabilities in certain areas based on their track records, business relationship and capital requirements because (i) subcontractors often possess the necessary experience and expertise in performing specific areas of tasks and it is generally more cost effective to subcontract different parts of construction works to different subcontractors which are specialised in the field of expertise; and (ii) labour intensive works such as structural steelwork are subcontracted to subcontractors for the supply of sufficient direct labour as main contractors generally only hire a small number of direct labour on a permanent basis to control cost. As part of the tender conditions and to ensure quality assurance, main contractors would generally select structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau to carry out the structural steelwork in a construction project.

Structural steelwork subcontractors in the midstream generally work with main contractors and are mainly responsible for managing structural steelwork workers, coordinating subcontractors and supervising the progress and quality of structural steelwork. Some of the structural steelwork subcontractors, such as our Group, possess in-house capacity to fabricate structural steel. During the fabrication process of structural steel, raw steel materials are cut, welded and pre-assembled into structural sections at fabrication plants according to the building plans and designs. The pre-fabrication process aims to minimise on-site construction work. Where structural steelwork subcontractors do not possess in-house capacity to fabricate structural steel, they would generally outsource the structural steel fabrication process to third party structural steel suppliers. Subsequently, pre-fabricated steel sections are erected and assembled on site, connected to the building's concrete foundations, and subsequently concrete floor slabs, beams and columns are then added to support the weight of the building. It is a common practice for structural steelwork contractors in Hong Kong to engage subcontractors to perform site works.

Value Chain of Structural Steelwork



Source: Frost & Sullivan

Market size of Hong Kong Structural Steelwork Market

Structural steelwork is an integral part of construction industry and are integrated into construction projects due to the material's robustness, resilience, and adaptability. Attributable to the completion of large-scale infrastructure projects in 2018, such as Hong Kong-Zhuhai-Macau Bridge and Express Rail Link (Hong Kong section), the civil engineering industry in Hong Kong has become temporarily sluggish in 2019 and 2020, which led to the decline of structural steelwork. The decrease in market size of structural steel works in Hong Kong from 2019 to 2020 was mainly attributable to the outbreak of COVID-19, resulting in delay to the progress of the then ongoing construction projects and delay in commencement of new construction projects in Hong Kong. The market size of structural steel works subsequently recovered in 2022 because the COVID-19 pandemic has gradually been contained. Overall, the market size of structural steelwork increased from HK$9,411.0 million in 2018 to HK$9,913.6 million in 2022, at a CAGR of 1.3%.

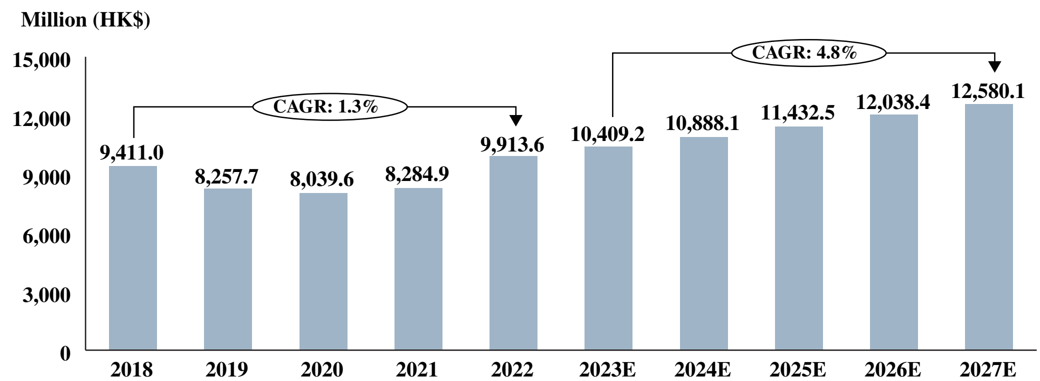
The rollout and commencement of projects such as Tung Chung New Town Extension which was commenced in 2018 and expected to complete by 2030, Three Runway System development which was commenced in 2016 and expected to complete by 2024, Site 3 of the New Central Harbourfront development which was commenced in 2022 and expected to complete by 2027, Caroline Hill Road Causeway Bay commercial project which was commenced in 2022 and expected to complete by 2026, Kwu Tung North New Development Area which was commenced in 2019 and expected to complete by 2026 and Yuen Long South New Development Areas which was commenced in 2022 and expected to complete by 2038, shall create the needs for construction of bridges, stadiums and arenas, commercial buildings, other social amenities and residential buildings, which in turn drive the demand for structural steelwork in Hong Kong. The market size of structural steelwork in Hong Kong is expected to increase at a CAGR of 4.8% from 2023 to 2027. Driven by various growth drivers including:

(i) the demand for structural steelwork generated from the planned and ongoing infrastructural and property developments in both public and private sectors in Hong Kong such as the Three Runway System development, Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South New Development Areas, New Central Harbourfront development and the Caroline Hill Road Causeway Bay commercial project;

(ii) the increasingly common adoption of structural steelwork for construction in Hong Kong owing to its eco-friendliness nature, flexibility of use and better performance in achieving space efficiency; and

(iii) the growing emphasis and continuous support from the Hong Kong government for the development of the structural steelwork industry, including the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University ("**PolyU**"), which is likely to improve applied research and technology in structural steel engineering and infrastructure sustainability, as well as strengthen the structural steel engineering industry's productivity, capability and competitiveness. In the meantime, PolyU has been granted HK$9.75 million, representing the largest amount granted under the Research Impact Fund 2022/23, for a research project on innovative building technologies focusing on the demolition and reuse of steel and composite structures. In addition, the Hong Kong Government has in recent years promoted the use of steel structures in major infrastructure projects, such as the steel structure erection projects for the concourse and apron of the Hong Kong International Airport third runway program, which has a contract value exceeding HK$1.2 billion, and 2,400 tonnes of structural steel were used for the construction of Hong Kong's West Kowloon Xiqu Centre. Moreover, 425,000 tonnes of steel were utilised in the construction of the Hong Kong-Zhuhai-Macao Bridge, which is currently the longest steel-structured bridge in the world. The Traffic Center of the Zhuhai Border Crossing of the Hong Kong-Zhuhai-Macao Bridge adopts a large-span spatial lattice steel structure system, with a building height of 23.9 meters, a floor area of 138,000 square meters, and a steel structure dosage of more than 8,000 tonnes, with a total of about 50,000 components. The gross value of structural steelwork in Hong Kong is expected to maintain a steady growth.

Market Size of Structural Steelwork (Hong Kong), 2018 – 2027E



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

Key Growth Drivers

Demand for Public and Private Sectors Development – Outlined in the Hong Kong government's Budget 2023-24, the total spending on public infrastructure is expected to reach approximately HK$89,027 million in the 2023 to 2024 fiscal year. Some of the sizeable public sector infrastructural projects include the New Development Areas in Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South, Kau Yi Chau Artificial Islands in Lantau Islands, and expansion works of the Science Park and Cyberport. Meanwhile, private sector developments are also expected to subsist and an example of which is the commercial project in Caroline Hill Road Causeway Bay co-developed by Hysan Development and Chinachem Group, which is expected to complete by 2026. Taking into consideration structural steel is increasingly used in construction due to its strength, durability, high strength-to-weight ratio and its flexibility in design to meet specific load requirements, it is expected that the increase in demand for construction works will translate into growth opportunities for the structural steelwork in Hong Kong.

Benefits Brought by Pre-fabrication of Structural Steelwork – In the pre-fabrication model of structural steelwork, pre-fabricated steel components are fabricated in a controlled factory using precision tools and then transported to the construction site for assembly. Pre-fabricating structural steel elements off-site in controlled factory can significantly reduce on-site construction time where pre-fabricated pieces can just be lifted and connected on-site, eliminating the need for fabrication on-site and hence the related labour cost incurred. Besides, factory pre-fabrication allows for tighter quality control and minimises defects as the work is done in a controlled environment using precision machinery and welding equipment. Overall, the pre-fabrication process streamlines the construction process, accelerates the schedule, reduces labour cost, improves quality and safety and results in higher quality finished products.

Government and Academia Supporting Industry Growth – The construction industry in Hong Kong faces significant challenges such as labour shortage and an ageing workforce. To address these issues, the Hong Kong government has stepped up efforts to provide financial support for improving industry standards. In the Hong Kong Budget 2022 to 2023, the Government has proposed allocating HK$1 billion to the Construction Industry Council to support manpower training. This includes increasing training opportunities and allowance amounts for trades facing labour shortages, with a view to attracting new entrants and job changers to the construction industry. The structural steelwork industry, as a key subsegment of Hong Kong's construction industry, is expected to benefit substantially from the Government's efforts, especially through the Construction Industry Council. The Council will use the budget to expand steel fabrication and erection training programs, which will help produce more skilled steel workers to meet increasing demands for steel structures in building and infrastructure projects. Allowances for steel workers will also be raised, making careers in structural steel more appealing and compensated. With more extensive training and higher pay, the structural steelwork industry can overcome its own long-standing labour challenges. Besides, universities and research regarding structural steelwork are playing an increasingly important role in supporting the long-term strength and competitiveness of the structural steelwork industry. For instance, the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University signifies a trend towards greater support for the structural steelwork industry from academia and education in Hong Kong. As structural steelwork sector continues advancing into more complex areas like high-rises towers and long-span structures, skilled professionals with expertise in specialised steel technologies and design are in demand, the establishment of related platform would be tailored to the needs of the industry. In turn, an expanded, well-trained and motivated workforce will strengthen the industry's capabilities, productivity and competitiveness, and will ultimately boost steel fabrication and construction activities that are crucial for Hong Kong's development goals.

Eco-friendliness of adopting Structural Steelwork – According to the China Steel Construction Society (中國鋼結構協會), the production process of steel structures are 3% more energy-efficient and emit 10% less carbon dioxide than the production process of concrete structures. Moreover, during the construction process, steel structures are more eco-friendly than concrete structures with energy savings of 13% and a reduction in carbon dioxide emissions of 15%. In addition, once steel structures reach the end of their lifespan or usage, the steel materials can be dismantled, collected and remelted to manufacture new products. Recycling steel requires only a fraction of the energy needed to produce new steel from raw materials. As such, steel recycling has significant environmental benefits like reducing landfill waste, lowering emissions from mining and manufacturing operations, and conserving natural resources required for new steel production. In contrast, concrete from demolished structures typically ends up as landfill waste because it cannot be recycled in the same way as steel. The raw materials used to produce concrete like sand, gravel and limestone also require heavy mining operations which result in damages to the environment. While new concrete mixes are being developed using recycled materials, the current recycling rate remains low compared to steel. Driven by the increasing awareness of eco-friendliness and sustainable property development by property developers and construction contractors, structural steelwork has been increasingly used for construction in Hong Kong. According to Trade Map, an online trade analysis and information tool developed by the International Trade Centre, a joint organisation of the World Trade Organisation and the United Nations Conference on Trade and Development, the import quantity by tonnes of structures and components made of iron or steel in Hong Kong increased from 256.0 thousand tonnes in 2018 to 346.1 thousand tonnes in 2022, at a CAGR of 7.8%, which indicates an increasing demand for structural steelwork in Hong Kong.

Positive Impact on Gross Floor Area through Structural Steelwork – Steel structures provide an opportunity to gain usable floor space due to material properties that allow for more open floor plans and efficient spaces. With smaller column diameters, greater spanning distances between columns, thinner slabs, and simpler foundations, steel construction minimises the amount of space required for structural and load-bearing elements. Compared to concrete alternatives, steel can achieve the same load-bearing capacity with a smaller physical footprint by enabling more slender and open structural designs. With optimisation, these inherent efficiencies of steel translate into increased usable floor area and more return on space. For multi-level buildings where added floor area means added revenue or occupancy potential, the space-saving qualities of steel become a compelling benefit and serve as an impetus to the structural steelwork market in Hong Kong.

Market Trends and Opportunities

Advocacy of construction waste sorting and recycling – Construction waste sorting and recycling has become an important trend that benefits the structural steelwork industry in Hong Kong. Steel fabrication and erection generate scrap metal, used bolts and other waste materials that can be recycled. Recycling steel minimises the amount of waste sent to landfills from construction projects. Widespread recycling will yield more waste steel and increase the scale of recycling operations. This can boost efficiency for structural steelwork companies by providing a steady supply of recycled material to reuse. It enhances the sustainability credentials of the structural steelwork industry, which is an important consideration for environmentally-conscious clients and is therefore becoming a prevailing trend.

Growing sophistication in architectural design – Growing sophistication in Hong Kong's architectural design can largely spur the opportunities for collaboration, technical innovation, prestige, and sustainable construction within the structural steel industry. In particular, sophisticated architectural designs nowadays frequently incorporate curved forms, angular shapes and intricate details and structural steel is ideal for achieving these geometries with its ability to be rolled, cut and welded into any form. Steel providers with advanced fabrication capabilities are well-placed to deliver customised and unique components. Close collaboration among architects, engineers and structural steelwork contractors is continuously fostered where they work together to contribute ideas, address constructability issues, and gain a shared understanding of design intent. Steel companies that invest in advanced capabilities, flexible design solutions and partnerships with visionary architects will be at the forefront of progress.

Adoption of structural steel in urban renewal project – Structural steelwork offers significant advantages for urban renewal projects in Hong Kong being one of the densest cities where buildable space and time are constrained. Steel construction allows for taller buildings on compact sites due to lighter materials and smaller foundations that occupy less area, saving on costs. The light-weight property of steel also permits additional height within existing foundations, maximising floor space. With on-going urban redevelopment in Hong Kong, structural steelwork unlocks substantially higher and faster skyward potential where foundations cannot be expanded and projects cannot be prolonged.

Market Challenges and Threats

Shortage of Labour – Due to Hong Kong's ageing population and more stringent requirements on workers' skills and qualifications, the structural steelwork industry has been facing a severe shortage of experienced and skilled labour. According to the Construction Industry Council, there will be a shortfall of 5,000 to 10,000 skilled construction workers in Hong Kong until 2023. Among structural steel welder, the workers aged 50 and above accounted for 60.6% of the workforce by the end of 2022. Lack of sufficient suitable labour may cause delays in project completion as well as potential quality issues and reworks, which can lead to cost overruns and declining profitability. Some companies may not be able to take up new projects or expand their operations due to lack of manpower, which can also lead to loss of potential business opportunities and slower growth. Overall, the shortage of labour would pose further cost of operation to industry players and may lead to operational pressure.

Higher material cost – Over the past five years, prices of major raw materials used in structural steelwork have experienced significant increase. For example, the price indexes of steel plates increased from 117.7 in 2018 to 196.3 in 2022. Such increases in material cost will result in higher expenditures of structural steelwork, which may further negatively impact their profit margin.

Rising project requirements – In Hong Kong, the structural steelwork industry is encountering a trend of rising project requirements in respect of sustainability and compliance. There is a growing focus on sustainability in construction projects in Hong Kong, which can add complexity to the design and construction process. For example, incorporating energy-efficient features or green spaces into a building design may require additional planning and expertise. Hong Kong also has strict building codes and regulations in place to ensure the safety and quality of construction projects. Compliance with these regulations can add complexity to the design and construction process of structural steelwork industry, particularly for large and complex projects.

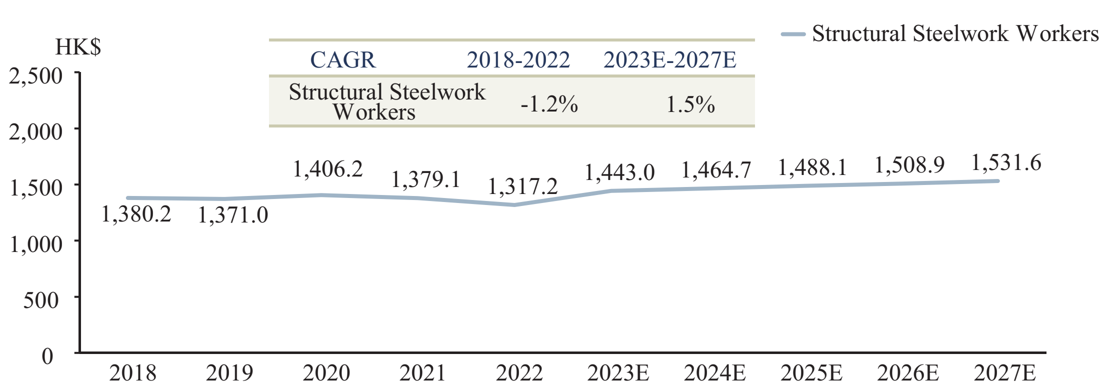
Hong Kong Government's Fiscal Deficit - In the face of the challenges of fiscal deficits and a declining reserve, the government's ability to allocate funds for infrastructure development may be limited. As governments may need to prioritize spending, namely in education and healthcare, and reduce overall expenditure, infrastructure projects may face budget cuts or delays. This can impact the construction, maintenance, and expansion of infrastructure such as roads, bridges, ports, and public transportation systems. Public infrastructure works, such as the construction of roads, bridges, and transportation systems, play a significant role in urban development and act as catalysts for private construction of buildings, as they enhance connectivity, accessibility, and the overall attractiveness of an area. The delay in infrastructure works can lead to decrease in demand for private construction projects such as residential buildings, commercial complexes, and offices.

Property Market Downturn - The property market downturn in Hong Kong persists, amidst a falling property demand caused by the slowdown in economic growth and surging interest rates. According to the Ratings and Valuation Department, the price index of private residential units in Hong Kong fell by 8.7% in 2023 compared to 2022 and fell by 14.0% in 2023 compared to 2021. The demand for overall property market is still falling. In the first ten months of 2023, the number of property transactions in Hong Kong dropped by 5.8% on a year-over-year basis to 37,519 units, with sales volume declining by 4.3% on a year-over-year basis to HK$345.3 billion over the same period. During a property market downturn, there is typically a decrease in demand for new construction projects, both in the residential and commercial sectors, which lead to a slowdown in private construction works as developers may postpone or cancel planned projects due to decreased market demand.

Cost Structure Analysis

Structural steel welder is one of the general labour types in the structural steelwork industry. Labour types of the structural steelwork industry also include structural steel erectors and general workers and labourers. The average daily wage of these workers has decreased from HK$1,380.2 in 2018 to HK$1,317.2 in 2022 at a CAGR of -1.2%. With the waning of the COVID-19 epidemic and the gradual resumption of construction work, the average labour wages in the first half of 2023 has demonstrated an upward trend. With the positive growth of the structural steelwork industry in Hong Kong, the demand for structural steelwork workers would continue to grow. Going forward, it is anticipated that between 2023 and 2027, the average daily wages of structural steelwork workers will increase at a CAGR of approximately 1.5%, reaching HK$1,531.6 by 2027.

Average Daily Wage of Workers Engaged in Structural Steelwork Market (Hong Kong), 2018-2027E



Source: Census and Statistics Department, Frost & Sullivan

Note: The above data refers to the average salary of general workers and labourers, structural steel welders and structural steel erectors engaged in public sector construction projects.

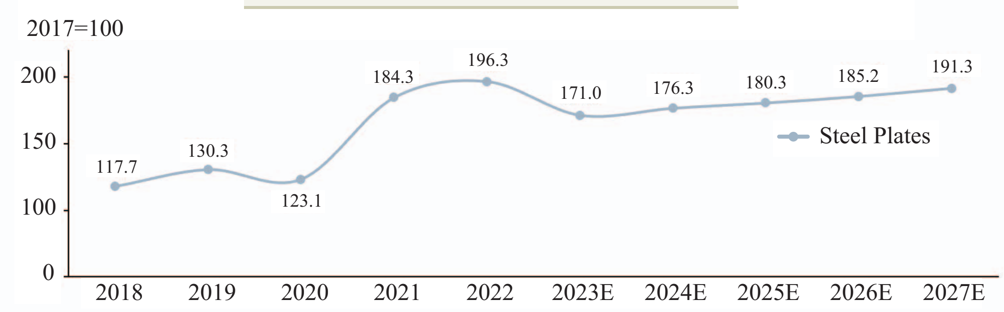
According to the Census and Statistics Department, the price index of steel plates increased from 117.7 in 2018 to 196.3 in 2022, at a CAGR of approximately 13.6%. Specifically, the price index of steel plates in Hong Kong recorded a significant increase from 123.1 in 2020 to 184.3 in 2021, representing an annual growth rate of approximately 49.7%, primarily due to the decrease in steel production, the cancellation of export tax rebates of exported steel and the increase in export tariffs on major components of steel in the PRC. The decrease in steel production in 2021 was mainly due to the restriction on heavy industry production, including steel sectors, imposed by the PRC Government in order to reduce carbon emission since 2021. In addition, the PRC Government cancelled the export tax rebates on 146 kinds of steel products in May 2021, resulting in an increase in the price of exported steel, including steel plates. From 1 August 2021 onward, the export tariffs on major components of steel such as high-purity pig iron are adjusted from 15% to 20% and ferrochrome are adjusted from 20% to 40%.

In 2022, the price index of steel plates in Hong Kong further increased to 196.3, representing an increase of approximately 6.5% as compared to 184.3 in 2021. Such increase in price of steel was primarily due to further decrease in steel production in the PRC in 2022 and the impact from the fifth wave outbreak of COVID-19. The decrease in steel production in the PRC in 2022 was mainly due to the abovementioned restrictions imposed by the PRC Government since 2021. In addition, in response to the fifth wave outbreak of COVID-19, there were temporary disruptions and partial suspension of the supply and transportation of construction materials from the PRC to Hong Kong during 2022, resulting in an increase in price of construction materials, including steel plates.

In 2023, the PRC Government relaxed the measures imposed on containing the outbreak of COVID-19 which contributed to an increase in the supply of steel from the PRC. The price index of steel plates in Hong Kong is expected to decrease from 196.3 in 2022 to 171.0 in 2023. Going forward, the price index of steel plates in Hong Kong is forecasted to grow at a CAGR of approximately 2.8% from 2023 to 2027 mainly attributable to work resumption as well as increase in demand from continued infrastructure development in Hong Kong and automobile manufacturing in the PRC.

Price Trends of Steel Plates (Hong Kong), 2018-2027E

	2018-2022	2023E-2027E
CAGR	13.6%	2.8%



Source: Census and Statistics Department, Frost & Sullivan

COMPETITIVE LANDSCAPE

Overall, the structural steelwork market in Hong Kong is highly competitive with service providers focusing on both private and public sectors specialising in certain segments, such as bridges, stadiums and arenas, commercial buildings, other social amenities and residential buildings. According to the Development Bureau, there are 50 contractors registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of structural steelwork, as of February 2024. As estimated, there are more than 500 market participants in the structural steelwork industry in Hong Kong.

With increasing complexity of construction projects, the structural steel contractors extend their service scope to fulfill the rising client's expectations. As the market develops into a mature stage, leading market participants are seeking expansion opportunities through vertical integration and product portfolio diversification. Some structural steelwork contractors acquire production or process facilities to leverage operational flexibility by consolidating all the key segments in the value chain from materials and components sourcing, manufacturing, processing, to supply and installation of structural steel products.

With the vertically integrated business model, the leading market participants usually have own processing or manufacturing facilities, which enable them to control production costs and product quality more effectively and to respond to market demand more quickly. With their own processing facilities, they are able to ensure a consistent supply of products for customers and enjoy greater flexibility in adjusting the supply and installation schedules to meet supplemental orders and tight timeline from unforeseen demand. Specifically, this strength offers the market participants unparalleled capabilities to drive revenue growth and expand market shares. Within the pool of over 500 structural steelwork contractors in Hong Kong, only around 2% of them have possessed in-house capacity to fabricate structural steel. Our Group is one of the few structural steelwork contractors in Hong Kong who have own processing or manufacturing facilities.

The top five players in the structural steelwork market in Hong Kong contributed 17.0% of the entire market in terms of revenue for the year ended 31 December 2022. Our Group recorded revenue of approximately HK$336.4 million for the provision of structural steelwork for the year ended 31 December 2022, which accounted for about 3.4% of the total industry revenue in Hong Kong.

Ranking and Market Share of Structural Steelwork by Revenue (Hong Kong), year ended 31 December 2022

Rank	Companies	Listing Status	Estimated Revenue in Year ended 31 December 2022 (HK$ million)	Market Share (%)
1	TTE Federal Construction Limited	Private	475.5	4.8%
2	KPa-BM Holdings Limited	Listed	426.4	4.3%
3	Our Group	Private	336.4	3.4%
4	Goldfield N&W Construction Company Limited	Private	250.3	2.5%
5	Goldford Engineering (HK) Limited	Private	200.0	2.0%
	Top five subtotal		1,688.6	17.0%
	Others		8,225.0	83.0%
	Total		9,913.6	100.0%

1. TTE Federal Construction Limited is a private company engaging in the provision of structural steelwork in Hong Kong. It has a registered capital of HK$63.3 million.

2. KPa-BM Holdings Limited is a company listed on the Main Board of the Stock Exchange (stock code: 2663) which is principally engaged in the provision of structural engineering works with a focus on design and build projects and trading of building material products in Hong Kong. It has a market capitalisation of approximately HK$155.9 million as at 20 February 2024.

3. Goldfield N&W Construction Company Limited is a private company focusing on civil engineering and maintenance work including structural steelwork in Hong Kong. It has a registered capital of HK$30.0 million.

4. Goldford Engineering (HK) Limited is a private company specialising in metal works in Hong Kong. It has a registered capital of HK$2.5 million.

5. The revenues of the market participants are estimated revenues derived from the provision of structural steelwork in Hong Kong for the year ended 31 December 2022, based on the published annual reports, trade interviews and other publicly available information. Actual revenues of the private companies incorporated in Hong Kong are not available in the public domain.

6. The market shares of the market participants are the ratio of their estimated revenue to the market size of structural steelwork, which are the estimated figures based on the gross value of construction works published by the Census and Statistics Department of Hong Kong.

Factors of Competition

Comprehensive Offering with In-house Capacity– The market for structural steelwork products is highly competitive and fragmented. To differentiate themselves from other market participants, structural steelwork providers who offer comprehensive engineering contracting services are typically preferred by downstream clients, including property developers and government agencies. In particular, structural steelwork contractors which possess in-house capacity to process and fabricate structural steel and operate its own processing or manufacturing facilities are generally able to control production costs and product quality more effectively, respond to market demand more quickly, ensure a consistent supply of products for customers and enjoy greater flexibility in adjusting the supply and installation schedules to meet supplemental orders and tight timeline from unforeseen demand, thereby facilitating them in improving their profitability and negotiation power and increasing their market presence.

Established Relationship with stakeholders – Established contractors with stable relationships with clients are preferred as they have a better understanding of client requirements. Most importantly, attributable to their abundant construction experience, they are more capable of providing customised services for clients, including main contractors and property developers, by saving time and costs in negotiation and coordination and ensuring that steel structures meet the design and construction requirements accurately. In addition, maintaining long-term relationships with acknowledged suppliers of raw materials can help structural steelwork providers maintain competitive pricing and a stable supply of high-quality materials. It is also crucial for structural steelwork providers to maintain good relationships with government agencies, as this can help them better understand government policies and regulations, ensuring that their products and services meet relevant standards and requirements, and gain trust and support from the Government. Overall, maintaining good relationships with stakeholders may lead to more opportunities for continued cooperation and referrals.

Recognition and qualification – Qualification serves as a key factor of competition in the industry. In particular, the Development Bureau publishes and regularly updates the List of Approved Suppliers of Materials and Specialist Contractors for Public Works, including works categories and contract value of public works for tendering, which are accessible by the public and potential clients. Being recognised by the authority and granted the qualification to tender for public sector projects with no limitation on the contract value for structural steelwork suppliers, giving them more business opportunities and increasing the chance to be considered favourably by construction contractors. Furthermore, structural steelwork contractors obtaining certain widely recognised certificates including ISO 9001, ISO 45001, and ISO 14001 in the area of quality system management, occupational health, and environmental management are more competitive in the market.

Entry Barriers

Proven Track Record – In general, structural steelwork encompasses various infrastructure and facilities such as bridges, public venues and contractors are required to deliver high-quality of works within the prescribed timeframe and budget. Defective designed structural steelwork can lead to damage to existing facilities or utilities, such as structural fractures leading to prolonged construction periods, greater property damage and safety hazards. In addition, clients of structural steelwork (e.g. Hong Kong government, large property developers) would evaluate contractors in different aspects such as quality of works, timeliness of project delivery as well as capability of meeting safety and environmental requirements as part of their assessment criteria for tender awards. New entrants without sound reputation founded on the past collaboration with the industry stakeholders and experience in delivering structural steelwork would hurdle its market presence.

Initial Capital Requirements – As a significant amount of capital is required for the recruitment and training of workers, the procurement of raw materials and equipment, as well as the establishment of on-site warehousing and factory for fabrication, the capital demand poses an obstacle to new entrants to the structural steelwork industry. Structural steelwork contractors generally experience net cash outflows as project up-front costs at the early stage of a project. The up-front costs generally include payment made to suppliers for materials, subcontracting fees for construction site works subcontractors and structural steel fabrication works subcontractors, manufacturing overheads and machinery service fees. In addition, large amount of capital may be required for the issuance of performance guarantee for sizable construction projects as requested by new customers, which is usually equivalent to 10% of the contract sum. Failure to make timely payments for production or construction costs and/or issuance of performance guarantee may delay project schedules and/or affect the credibility of the structural steelwork contractor. Additionally, given that payments are usually settled based on the completion of the construction work, it is more common for contractors to advance funds early. In addition, sufficient capital reserves could demonstrate the capacity to cope with risks like material shortages, equipment failures, etc., which is equally beneficial for contractors to bid and engage in sizeable construction projects.

Technical Know-how – Technical knowledge is one of the key barriers for new market entrants to structural steelwork industry. Existing market participants generally have a strong understanding of the design, fabrication, and installation of steel components and module units in order to deliver quality services. Specifically, steel structures are usually used for high-rise, long-span, complex architectural shapes which require the capacity of heavy loads or crane lifting, and high-temperature durability and so on, therefore the contractors need to consider the steel properties to select steel structures, such as frames, grids, and cables which vary according to the application. And only expertise with sufficient construction experience and mechanical knowledge can conduct layout design in consideration of the system characteristics, load distribution and properties from a comprehensive perspective. With such technical know-how, the quality of work can be assured and the diversified demand of customers can be met.

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the paragraph headed "Business – Competitive strengths" in this document for a detailed discussion of the competitive strengths of our Group.

OVERVIEW

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. We also have a subsidiary in the PRC, namely Wing Kei Dongguan, which leased the Dapianmei Production Facility and the Xinlong Production Facility to fabricate structural steel for the structural steelwork projects in Hong Kong undertaken by Wing Kei Hong Kong. This section sets out a summary of certain aspects of Hong Kong and PRC laws, rules and regulations that are relevant to our operations and business.

HONG KONG

Laws and Regulations in relation to Labour, Health and Safety

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course; and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

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

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

Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include (1) providing and maintaining plant and work systems that do not endanger safety or health; (2) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; (3) providing all necessary information, instructions, training and supervision for ensuring safety and health; (4) providing and maintaining safe access to and egress from the workplaces; and (5) providing and maintaining a safe and healthy working environment.

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

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

According to the Factories and Industrial Undertakings (Safety Management) Regulation, the safety auditor shall (i) be a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong); (ii) have not less than three years' full-time experience, in the five years period immediately preceding the application for registration with the Labour Department, in a managerial post responsible for industrial safety and health matters in respect of an industrial undertaking; (iii) occupy, at the time of the application for registration with the Labour Department, the managerial post or a like post; (iv) have successfully completed a scheme conducted by a registered scheme operator; and (v) understand the requirements under legislation in Hong Kong relating to industrial safety and health matters. Pursuant to the Code of Practice on Safety Management issued by the Labour

Department, a safety auditor should (i) understand his task and be competent to carry it out; (ii) be familiar with the industry and the processes being carried out in the relevant industrial undertaking; (iii) have a good knowledge of the safety management practices in the industry; and (iv) have the necessary experience and knowledge to enable him to evaluate performance and identify deficiencies effectively, while a safety review officer should (i) have a good understanding of the operation of the relevant industrial undertaking in respect of which he conducts the safety review; (ii) have a good understanding of the legal requirements in force in Hong Kong relating to industrial safety and health; and (iii) have received appropriate training in how to review the effectiveness of a safety management system with a view to improving it.

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

Under regulation 3 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the Loadshifting Machinery Regulations, loadshifting machines used in industrial undertakings refer to forklift trucks, while loadshifting machines used on construction sites refer to a bulldozer, a loader, an excavator, a truck, a lorry, a compactor, a dumper, a grader, a locomotive and a scraper. For the purpose of the Loadshifting Machinery Regulations, the responsible person means a person who is having the management or in charge of the machine but does not include a person who operates the machine, and the contractor who has control over the way any construction work which involves the use of the machine is carried out and, in the case of a loadshifting machine situated on or used in connection with work on a construction site, also means the contractor responsible for the construction site.

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

Under the Occupational Safety and Health Ordinance, employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

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

- providing all necessary information, instructions, training and supervision for ensuring safety and health; and

- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence. The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity in or condition of the workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence.

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation. According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

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

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

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

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

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK$50,000). Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor who pays an employee any wages under section 43C of the Employment Ordinance may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (set at HK$40 per hour as at the Latest Practicable Date) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

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

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

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

Laws and Regulations in relation to Environmental Protection

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such "notifiable work" includes site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100 metres of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance. Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system.

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong). Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence. (1) Emission of dust from any building under construction or demolition in such manner as to be a nuisance; (2) any accumulation of water on any premises found to contain mosquito larvae or pupae; (3) any accumulation or deposit which is a nuisance or injurious to health; and (4) any premises in such a state as to be a nuisance or injurious to health are actionable under the Public Health and Municipal Services Ordinance.

Laws and Regulations in relation to Construction Works

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

The Buildings Ordinance provides that before the commencement of any building works: (i) prior approval and consent from the Building Authority must be obtained; (ii) authorised persons, such as architects, engineers and surveyors registered under the Buildings Ordinance, must be appointed to coordinate the works, prepare and submit plans for the approval from the Building Authority; (iii) registered professionals must be appointed to design and supervise the works; and (iv) registered contractors must be appointed to carry out the works. Section 14(1) of the Buildings Ordinance provides that no person shall commence or carry out any building works without having obtained such prior approval and consent from the Building Authority and such proper appointments. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works and minor works) in any building are exempt from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

If the building works are within the purview of section 41(3) of the Buildings Ordinance, the works must further comply with the building standards specified in the relevant Building Regulations empowered under the Buildings Ordinance. The Buildings Ordinance further requires that any authorised person of the buildings works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

Laws and Regulations in relation to Contractor Licensing Regime and Operation

Registered Specialist Trade Contractors Scheme

As at the Latest Practicable Date, Wing Kei Hong Kong was registered as a registered subcontractor in the Registered Specialist Trade Contractors Scheme of the Construction Industry Council under the trade category of 01.08 Structural Steelwork.

Subcontractors which are involved in, among others, structural steelwork trades in Hong Kong may apply for registration under the Registered Specialist Trade Contractors Scheme managed by the Construction Industry Council. The Subcontractor Registration Scheme (replaced by the Registered Specialist Trade Contractors Scheme on 1 April 2019) was formerly known as the Voluntary Subcontractor Registration Scheme (the "**VSRS**"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "**PCICB**"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) ("**WBDB**") on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS. After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage two of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

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

Categories of registration

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

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Registered Specialist Trade Contractors Scheme) of the Registered Specialist Trade Contractors Scheme, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the Registered Specialist Trade Contractors Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Registered Specialist Trade Contractors Scheme.

Applications for registration under the RSTC are subject to a number of requirements based on the relevant trade category and tender limits as detailed in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors and the Rules and Procedures for the Register of Subcontractors both issued by the Construction Industry Council in January 2024.

Both registered subcontractor and the registered specialist trade contractor shall apply for renewal not earlier than six months but not later than three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified form and accompanied by the prescribed fees and documents. The committee on Registered Specialist Trade Contractors Scheme which oversees the Registered Specialist Trade Contractors Scheme (the "**RSTC Committee**") may not renew the registration of any registered subcontractor or registered specialist trade contractor unless the RSTC Committee at its sole discretion is satisfied that (i) the registered subcontractor or registered specialist trade contractor meets all the relevant renewal requirements; and (ii) the registered subcontractor or registered specialist trade contractor is suitable for renewal. The RSTC Committee may impose additional conditions for the renewal of registration of any registered subcontractor or registered specialist trade contractor as it thinks fit. Having regard to needs of the designated trades and groupings, the RSTC Committee may approve and renew the registration of a registered specialist trade contractor despite the registered specialist trade contractor does not fully satisfy the registration requirements. An approved renewal for a registered subcontractor and a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal.

Codes of Conduct

A registered subcontractor and a registered specialist trade contractor shall establish and promulgate its integrity policy and code of conduct with reference to the Integrity Policy and Code of Conduct Guidance Document (Schedule 3 of the Rules and Procedures for the Register of Specialist Trade Contractors and the Rules and Procedures for the Register of Subcontractors).

The circumstances that may lead to regulatory actions be taken against a registered specialist trade contractor or a registered subcontractor include, but are not limited to (a) a petition for winding-up or bankruptcy has been filed against the registered specialist trade contractor or the registered subcontractor or other financial problems; (b) failure of the registered specialist trade contractor or the registered subcontractor to answer queries or provide information relevant to the registration within the prescribed time specified by the RSTC Committee; (c) misconduct or suspected misconduct of the registered specialist trade contractor or the registered subcontractor; (d) court conviction or violation of any law by the registered specialist trade contractor or the registered subcontractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Immigration Ordinance, Prevention of Bribery Ordinance, Construction Industry Council Ordinance, Construction Workers Registration Ordinance; (e) matters of public interest; (f) causing or contributing to the occurrence of a serious incident taking place in any public or private construction site resulting in one or more of the following circumstances (i) loss of life; (ii) serious bodily injury resulting in a loss or an amputation of a limb or permanent total disablement to the injured or (iii) dangerous occurrence or incident leading to or resulting in injuries that are considered serious or damage to works or property that posed a potential threat to public safety; (g) serious or suspected serious poor performance in any public or private sector works contract; and (h) failure of the registered specialist trade contractor or the registered subcontractor to comply with any provisions of the rules and procedures for the Registered Specialist Trade Contractors Scheme.

Regulatory actions

The RSTC Committee may instigate regulatory actions against a registered specialist trade contractor or a registered subcontractor (where applicable) by directing that:

(a) written warning be given to the registered specialist trade contractor or the registered subcontractor;

(b) the registered specialist trade contractor or the registered subcontractor be suspended from registration for a specified period;

(c) the grouping of a registered specialist trade contractor be changed; or

(d) the registration of the registered specialist trade contractor or the registered subcontractor be revoked.

Proposed Security of Payment Legislation ("SOPL")

The Government has conducted a public consultation on the SOPL for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution. It is expected that the bill of the SOPL will be submitted to the Legislative Council of Hong Kong in the first half of 2024 for consideration for enactment.

The SOPL will, among others:

- prohibit "pay when paid" and similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;

- prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;

- enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and

- grant parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator's decision or non-payment of amounts admitted as due.

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

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

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

List of Approved Suppliers of Materials and Specialist Contractors for Public Works

If a contractor wishes to carry out structural steelwork projects of the Development Bureau, it must be included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the "**Approved Specialist List**") which is administered by the Works Branch of the Development Bureau. The Approved Specialist List comprises suppliers/specialist contractors who are approved for carrying out works in one or more of the 46 categories of specialist works, including "Structural Steelwork".

Generally, contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public work contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain minimum levels of paid-up share capital, employed capital and working capital applicable to the appropriate category and group.

The minimum levels of paid-up share capital, employed capital and working capital for "Structural Steelwork" is currently HK$1,800,000. In terms of experience, satisfactory completion of at least three projects in the fabrication and erection of structural steelworks for permanent civil engineering or building structures in the past three years is required, each with a value of HK$0.8 million or more. In terms of top management, at least one member of the top management shall have a minimum experience of five years, out of which three years shall be local experience, in managing a construction firm obtained in the past eight years. In terms of technical staff, there should be (i) at least one professional staff experienced in the design, fabrication and erection of structural steelworks; (ii) at least two technical staff at supervisory level experienced in the fabrication and erection of structural steelworks; and (iii) skilled workers from local workforce for erection of structural steelwork including at least three registered skilled workers of trade division "Metal-steel Worker (Master)" or "Structural Steel Erector" in the trade "Metal-steel Worker" under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) and at least three qualified welders to BS 4570, BS EN 287-1 or BS 4872:Part 1 as appropriate. In terms of plant and equipment, the appropriate plant and equipment include welding plant, lifting crane, drilling machine, bending machine, lathe, shearing machine, flame cutting machine, plate rolling machine, grit blasting equipment, grinder, planing, shaping and slotting machine, milling machine, boring and surfacing machines, oven/cabinet with drying facilities for storing electrodes.

Laws and Regulations in relation to Competition

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

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

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

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

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

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

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

Laws and Regulations in relation to Tax and Transfer Pricing

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")

As our Group carries out business in Hong Kong, we are subject to the profits tax regime under the IRO. As at the Latest Practicable Date, the standard profits tax rate for corporations was at 8.25% on assessable profits up to HK$2,000,000; and 16.5% on any part of assessable profits over HK$2,000,000 (namely, two-tiered tax rates). The application of the two-tiered rates is restricted to only one entity nominated among group entities for a year of assessment. The standard profits tax rate for corporations not applying two-tiered tax rates was 16.5% on assessable profits.

In July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. Codified international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting.

Based on the Amendment Ordinance, a person who has a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "**Advantaged Person**") will have income adjusted upwards or loss adjusted downwards. The Advantaged Person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision. If the Advantaged Person fails to prove to the satisfaction of the assessor of the Inland Revenue Department that the amount of the person's income or loss as stated in the person's tax return is an arm's length amount, the assessor of the Inland Revenue Department must estimate an amount as the arm's length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO. In July 2019, the Inland Revenue Department further issued the Departmental Interpretation and Practice Notes No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Ordinance.

The Amendment Ordinance introduces a mandatory "three-tiered" transfer pricing documentation requirement in Hong Kong consisting of (a) Master File; (b) Local File; and (c) Country-by-country Report. The Amendment Ordinance provides two types of exemptions to entities that engage in transactions with associated enterprises from preparing

Master File and Local File. In terms of size-based business exemption thresholds, a Hong Kong taxpayer meeting any two of the following three size-based business exemption thresholds for an accounting period is exempted from preparing the Master File and Local File for that accounting period: (a) Total annual revenue not exceeding HK$400 million; (b) Total value of assets not exceeding HK$300 million; or (c) Average number of employees not exceeding 100. In terms of volume-based related party transactions exemption thresholds, the threshold per accounting period for transfer of property (whether movable or immovable but excluding financial assets and intangible assets) is HK$220 million. Our Group did not meet the threshold for preparing transfer pricing documentation in Hong Kong. As advised by our Hong Kong Legal Counsel, save as disclosed above, our Group is not subject to any applicable laws and regulations in Hong Kong in respect of transfer pricing. For details of our transfer pricing arrangement, please refer to the paragraph headed "Business – Production facilities and capacity – Transfer pricing arrangement" in this document.

THE PRC

Laws and Regulations in relation to Foreign Investment

Foreign Investment Law

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, which came into effect on 1 January 2020 and replaced the three major existing laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. Meanwhile, the Regulations for the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on 26 December 2019 and came into force as of 1 January 2020, which provided clarification and elaboration for the relevant provisions of the Foreign Investment Law. The organisation form, organisation and activities of foreign-invested enterprises shall be governed, among others, by the Company Law of the PRC (《中華人民共和國公司法》) and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》). Foreign-invested enterprises set up prior to the implementation of the Foreign Investment Law may retain the original business organisation and so on within five years after the implementation of this Law.

According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment refers to the treatment given to foreign investors and their investments at the stage of investment access shall not be less favorable than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields.

Foreign investors' investment, earnings and other legitimate rights and interests in PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. Among others, the state ensures that foreign-invested enterprises participate in the formulation of standards in an equal manner and that foreign-invested enterprises participate in government procurement activities through fair competition according to the law. Further, the state shall not expropriate any foreign investment except under special circumstances. In special circumstances, the state may levy or expropriate the investment of foreign investors under the law for the need of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be provided. In carrying out business activities, foreign-invested enterprises shall comply with relevant laws and regulations on labour protection.

Foreign Investment Industrial Policy

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), or the Encouraging Catalog, and the Special Administrative Measures for Access of Foreign Investments (《外商投資准入特別管理措施(負面清單)》), or the Negative List, and together with the Foreign Investment Law and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List provide the basic regulatory framework for foreign investment in the PRC, classifying businesses into three categories regarding foreign investment: "encouraged," "restricted," and "prohibited." On 26 October 2022, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》), which became effective on 1 January 2023, to substitute the previous one. On 27 December 2021, the MOFCOM and the NDRC promulgated the Special Administrative Measures for Access of Foreign Investments (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List 2021, which came into force on 1 January 2022, to replace the previous Negative List.

Under the current regulations, any industry not listed in the Negative List 2021 is a permitted industry and generally open to foreign investment unless specifically prohibited or restricted by PRC laws and regulations.

Our current business, which is the supply, fabrication and installation of structural steel, is not otherwise restricted to foreign investment by PRC laws and regulations. We made this conclusion by considering the nature of our business and the fact that Wing Kei Dongguan, a wholly foreign owned enterprise, has been approved by the relevant authorities to conduct such business without being subject to restrictions on foreign investment. However, as the Negative List is amended from time to time, and other PRC laws and regulations on foreign investment restrictions are subject to change as well, we cannot guarantee that our business will not become subject to restrictions on foreign investment in the future.

Laws and Regulations in relation to Workplace Safety and Special Equipment

Production Safety Law

In accordance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), production enterprises shall strengthen work safety management, enhance work safety conditions, promote work safety standardization and improve work safety levels. The entity which does not meet safety conditions prescribed by this law and other relevant laws, administrative regulations, and national or industry standards should not engage in production and the other business activities. To assure work safety rules being observed in production process, business entities should establish and improve work safety responsibility systems and work safety policies which specify the responsible person for each position, the scope of duties and the evaluation criteria. Business entities shall provide their employees with labour protection products and work safety training. Where the primary person in charge of a business entity fails to perform his or her duties in work safety as provided for in the Production Safety Law, he or she would be subject to legal liabilities regarding the seriousness of work safety accident.

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

Use of Special Equipment

Pursuant to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》), special equipment refers to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, cranes, passenger cable-ways, large entertainment facilities and in-plant (in-factory) special motor vehicles that involve great danger to the personal and property safety, as well as other special equipment applicable to the law according to relevant laws and administrative regulations. Special equipment producers shall be licensed by the relevant department in charge of the safety supervision and administration of special equipment before engaging in relevant production activities. Special equipment users shall use special equipment produced with a permit and passing inspection, and such users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate. The entities using special equipment shall have special equipment safety management personnel, testing personnel and operating personnel with corresponding qualifications in accordance with the relevant state provisions. They shall conduct routine maintenance and regular self-check of the special equipment used by them and conduct regularly check and repair the safety accessories and safety protection devices, and keep records thereof.

In addition to the regulations above, according to the Regulations on Safety Supervision over Special Equipment (《特種設備安全監察條例》), special equipment users shall make a request for the periodic inspection to a special equipment inspection and testing institution as required by the safety technical codes for the periodic inspection.

Laws and Regulations in relation to Social Security and Housing Provident Funds

Employment

The Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), and the Implementation Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), are the principal regulations that govern employment and labour matters in the PRC. According to the aforementioned laws and regulations, labour contracts shall be concluded in writing if labour relationships are to be or have been established between employers and the employees. Employers are prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, wages shall not be lower than the local minimum wage standard. Employers shall establish a system for labour safety and sanitation, strictly comply with national standards, and provide relevant education to its employees. Employees are also required to work under safe and sanitary conditions.

Social Insurance and Housing Provident Fund

Under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), together with other laws and regulations, employers are required to pay basic pension insurance, unemployment insurance, basic medical insurance, employment injury insurance, maternity insurance, and other social insurance for its employees at specified percentages of the salaries of the employees, up to a maximum amount specified by the local government regulations from time to time. When an employer fails to pay social insurance premiums in full, relevant social insurance collection agency shall order it to make up the shortfall within the prescribed period and may impose a late payment fee of 0.05% per day of the outstanding amount from the due date. If such employer still fails to make up for the shortfalls within the prescribed time limit, the relevant administrative authorities shall impose a fine of one to three times the outstanding amount upon such employer.

In accordance with the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), employers shall register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employer and employee are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. When an employer fails to pay the housing provident fund in full, the designated administrative centers shall order it to make the payment and deposit within a prescribed time limit. If the payment and deposit have not been made by the expiration of the time limit, an application for enforcement may be made to a people's court.

Laws and Regulations in relation to Environmental Protection

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), any entity which discharges or will discharge pollutants in the course of its operations or other activities shall implement effective environmental protection safeguards and procedures to control and properly dispose of exhaust gases, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on individuals or enterprises that violate the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Civil Code of the PRC (《中華人民共和國民法典》). In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Our Group has established an environmental management system and also formulated an environmental policy to provide guidance, support and adequate resources for effective implementation of our environmental protection measures.

Laws and Regulations in relation to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which was promulgated on 16 March 2007, became effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementing Rules of the EIT Law defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

Tax on Related Party Transactions

According to the EIT Law and the Implementation Regulations for the EIT Law (《中華人民共和國企業所得稅法實施條例》), for the transactions between the enterprise and its related parties, if not meeting the arm's length principle, or if done by the enterprise for unreasonable commercial purpose, the tax authority may adjust the taxable revenue or income incompliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle. According to the Implementation Measures for Special Tax Adjustment (Trial Implementation) (《特別納稅調整實施辦法(試行)》) promulgated by the SAT on 8 January 2009 and became effective on 1 January 2008, and was amended on 16 June 2015, 29 June 2016, 11 October 2016, 11 October 2016, 17 March 2017 and 15 June 2018 respectively, related party transactions between an enterprise and its related parties shall follow the arm's length principle.

Pursuant to the EIT Law and its implementation rules and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), which was first promulgated on 4 September 1992 by the Standing Committee of the NPC (the "**SCNPC**") and amended on 28 February 1995, 28 April 2001, 29 June 2013 and 24 April 2015, related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

On 29 June 2016, the State Tax Administration ("**STA**") issued the Public Notice regarding Refining the Reporting of Related Party Transactions and Administration of Transfer Pricing Documentation (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) ("**PN 42**"). PN 42 provides new transfer pricing compliance requirements in the PRC, including Annual Reporting Forms for Related Party Transaction ("**RPT Forms**"), Country-by-Country Reporting Form ("**CbC Reporting Form**") and Transfer Pricing Documentation ("**TPD**"), all of which are substantial changes to the previous rules. The CbC Reporting Forms are required for the Chinese resident enterprise if: (i) it is the ultimate holding company of a multinational enterprise's ("**MNE**") group with combined revenue over RMB5.5 billion, or (ii) it is nominated by the MNE group as the CbC Reporting Entity. PN 42 adopts a three-tiered approach for TPD, including master file, local file and special issue file, and sets different thresholds for each file and type of transaction. If the company meets either of the following criteria, a master file should be prepared: (i) have cross-border related party transactions and belong to a group to which has prepared the master file; or (ii) the total amount of related party transactions exceeds RMB1 billion. The threshold for the local file is dependent on the type of related party transactions, which are listed below: (i) RMB200 million for tangible assets transfer (in the case of toll process, the amount in the annual customs record for toll processing should be included); (ii) RMB100 million for financial assets transfer; (iii) RMB100 million for intangible assets transfer; or (iv) RMB40 million for other related party transactions in total.

On 17 March 2017, the STA issued the Public Notice of the State Taxation Administration Regarding the Release of the "Administrative Measure for Special Tax Investigation Adjustments and Mutual Agreement Procedures" (《國家稅務總局關於發佈〈特別納稅調查調整及相互協商程序管理辦法〉的公告》) ("**PN 6**"). PN 6 provides rules on risk management, investigations and adjustments, administrative review and mutual agreement procedures regarding the special tax adjustment and other relevant issues. PN 6 highlights the tax authorities' emphasis on strengthening the monitoring of enterprises' profit levels, and improving enterprises' compliance with the tax law through special tax adjustment monitoring and administration as well as special tax investigation adjustment. PN 6 reinforces the transfer pricing administration on intercompany intangibles and services transactions, and provides certain methods and principles for investigations and adjustments. Taxpayers are advised to review and adjust, if necessary, their transfer pricing policies in such transactions to ensure compliance with the new rules. PN 6 provides rules on transfer pricing of intangibles, and reinforces the general principle that "allocation of income generated by intangibles shall be commensurate with the commercial activities and contribution to its value creation". To allocate the income generated by intangibles, the enterprise is required to perform an analysis of value contributed by parties performing the functions of development, enhancement, maintenance, protection, exploitation and promotion of the intangibles. Compared with the development, enhancement, maintenance, protection, exploitation functions of intangibles in the Organisation for Economic Co-operation and

Development (OECD) transfer pricing guidelines, PN6 includes "promotion" as an important function. In addition, under PN 6, a related party that only provides funding for the creation and exploitation of intangibles, but does not actually undertake relevant risks shall be entitled to only a reasonable return on the funding cost. PN 6 introduces an important principle in relation to intangibles, and provides that "tax authorities may make special tax adjustments on royalties that are not commensurate with the economic benefit and result in a reduction in the taxable gross income or taxable income of enterprise or their related parties". Enterprises that have low profits or are even in a loss position while paying a royalty may face a heavy burden of proof to demonstrate the alignment between the royalty payment and its economic benefits, or the deduction of the royalty payment may be disallowed.

During the Track Record Period, Wing Kei Dongguan has submitted the annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority on an annual basis and our Group did not meet the threshold for preparing transfer pricing documentation and was not required to prepare transfer pricing documentation report as per the applicable transfer pricing rules and regulations in the PRC. Our Group has conducted a transfer pricing study and based on the report, our executive Directors are of the view that our Group's transfer pricing arrangement with respect to its fabrication work does not result in material reduction to its taxable income in the PRC for the three years ended 31 December 2022. As advised by the PRC Legal Advisers, save as disclosed above, our Group is not subject to any applicable laws and regulations in the PRC in respect of transfer pricing. For details of our transfer pricing arrangement, please refer to the paragraph headed "Business – Production facilities and capacity – Transfer pricing arrangement" in this document.

Regulations in relation to M&A Regulation and Overseas Listing

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部關於外國投資者併購境內企業的規定》), or the M&A Rules requires, among other things, that if an overseas company established or controlled by PRC companies or individuals, or PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition shall be submitted to the MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles established to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

According to the Trail Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures and five supporting guidelines, which became effective on 31 March, 2023, among other requirements, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall fulfil the filing procedures with the CSRC; if a domestic company fails to complete the filing procedure, such domestic company may be subject to administrative penalties; (2) if the issuer satisfies both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers responsible for operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) if the domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and shall submit the filings to the CSRC within three business days after the submission of the overseas offering and listing application.

Considering that (1) the operating revenue, profit, assets or net assets of Wing Kei Dongguan, our Company's indirect subsidiary established in the PRC, accounted for no more than 50% of our Group's total operating revenue, total profit, total assets or net assets as presented in the audited combined financial statements for the most recent accounting year; (2) our Company is headquartered in Hong Kong with its chief executive officer, chief financial officer and all members of the board of directors based in Hong Kong who are not PRC citizens; and (3) the operations and business of our Company are not principally conducted in the PRC given that the revenue is mainly generated in Hong Kong and the major sales and purchase activities are conducted in Hong Kong, the PRC Legal Advisers are of the view that the Company would not be required to file with the CSRC under the Trial Measures for the Share Offer.

Regulations in relation to Land Use Right and Lease Properties

Regulations in relation to Land Use Right

The PRC Land Administration Law (《中華人民共和國土地管理法》), which was promulgated by the SCNPC on 25 June 1986 and last amended on 26 August 2019, stipulates that the leasing of collectively-operated development land, the granting of the right to use collectively-operated development land and its maximum term of years, transfer, swap, capital contribution, gift and mortgage shall be implemented with reference to State-owned construction land for the same type of land use purpose. The assignment and lease of collectively-operated development land shall be subject to the consent of over two-thirds of the members or over two-thirds of villagers' representatives at the village council of the members of the collective economic organization. On 23 June 2005, the People's Government of Guangdong Province promulgated the Administrative Measures of Guangdong Province for the Circulation of the Right to the Use of Collectively-owned Land for Construction Purposes (《廣東省集體建設用地使用權流轉管理辦法》), which became effective on 1 October 2005, stipulates a written contract shall be signed for the granting or leasing of the right to the use of collectively-owned land for construction purposes. The maximum terms for which the right to the use of collectively-owned land for construction purposes may be granted or leased shall not exceed the maximum terms for which the right to use State-owned land for the same type may be granted. On 19 May 1990, the State Council issued the Interim Regulations of the People's Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), which prescribes that the maximum term of granted land-use for industrial purposes is 50 years.

Regulations in relation to Lease Properties

The Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》), or the New Lease Measures, which was promulgated by MOHURD on 1 December 2010 and came into effective on 1 February 2011, the parties concerned to a housing leasing shall go through the housing leasing registration formalities with the competent construction (real estate) departments within thirty (30) days after the lease contract is signed. Non-compliance with such registration and filing requirements shall be subject to fines no more than RMB1,000 for individuals and from RMB1,000 to RMB10,000 for enterprises, provided that they fail to rectify such non-compliance within the required time limits.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC on 28 May 2020 and became effective on January 2021, the term of a leasing contract shall not exceed 20 years, and the parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract.

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 28 June 2023. Pursuant to the Reorganisation as more particularly described in the paragraph headed "Reorganisation" in this section, our Company has become the holding company of our Group for the purpose of the **[REDACTED]** and holds the entire interest of four subsidiaries, namely, WK Development, Wing Kei Hong Kong, Wing Kei Management and Wing Kei Dongguan.

OUR BUSINESS DEVELOPMENT

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. The history of our Group can be traced back to 1999 when Mr. WH Chan, who has accumulated over 40 years of experience in structural steelwork, metal works and general construction, and Mr. Kelvin Chan as the primary founders established the first subsidiary of our Group, Wing Kei Hong Kong, to engage in the supply and installation of structural steel for construction projects in Hong Kong. In order to support our projects, in 2000, Wing Kei Hong Kong commenced to operate the Dapianmei Production Facility in Dongguan, the PRC, through Dongguan Dalingshan Yongji Metal Component Manufacturing Factory*（東莞大嶺山永基金屬構件製造廠）("**Yongji Manufacturing Factory**"), being an unincorporated organisation established in the PRC. Subsequently, our Group established Wing Kei Dongguan in 2015 to operate the Dapianmei Production Facility, and Yongji Manufacturing Factory was deregistered in 2016. In 2020, our Xinlong Production Facility came into operation for the supply and fabrication of structural steel in light of the increasing demand for our projects.

Mr. Eddie Chan joined our Group in 2003 to participate in the management of our Group. Under the leadership of Mr. WH Chan, Mr. Kelvin Chan and Mr. Eddie Chan, our Group has gradually expanded our business throughout the years and undertaken both private and public projects, including some high-profile projects such as the Kai Tak Sports Park project, the West Kowloon Terminus Station North and South projects, the Liantang/Heung Yuen Wai Boundary Control Point project, the Hong Kong Science Park expansion project and the Legislative Council Complex expansion project. In 2010, we commenced our business relationship with Hip Hing Group, being our top customer during the Track Record Period.

In October 2005 and October 2008, Wing Kei Hong Kong was first admitted to become a registered subcontractor under the Subcontractors Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) of the Construction Industry Council under the trade category of "Structural Steelwork" and an approved specialist contractor under the "Structural Steelwork" category on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of the Development Bureau, respectively.

We endeavour to enhance our management system and provide quality services to our customers. Wing Kei Hong Kong received a number of commendations from our customers and/or project owners as recognition of our satisfactory performance in their projects, such as the well-performed contractor award, the best subcontractor awards and certain certificates recognising our commitment to achieving a safe workplace and/or quality works. In 2008, Wing Kei Hong Kong was first accredited with ISO 9001 (Quality Management System). In 2019, Wing Kei Hong Kong was first accredited with ISO 45001:2018 (Occupational Health and Safety Management Systems) and ISO 14001:2015 (Environmental Management Systems).

In 2022, our Group was ranked third in the Hong Kong structural steelwork market in terms of revenue, and accounted for approximately 3.4% of the market share in Hong Kong, according to the Industry Report.

Our key business milestones

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

Year	Events
1999	The first subsidiary of our Group, Wing Kei Hong Kong, was incorporated in Hong Kong in July 1999 to engage in the supply, fabrication and installation of structural steel for construction projects in Hong Kong.
2000	We commenced to operate the Dapianmei Production Facility in Dongguan, the PRC, for the supply and fabrication of structural steel for the projects undertaken by Wing Kei Hong Kong.
2005	Wing Kei Hong Kong was first admitted to become a registered subcontractor under the Subcontractors Registration Scheme (now known as the Registered Specialist Trade Contractors Scheme) of the Construction Industry Council under the trade category of "Structural Steelwork".
2007	Wing Kei Hong Kong received a commendation from the Hong Kong Housing Authority for early completion in relation to the redevelopment project of Shek Pai Wan Estate Phase 2.
2008	Wing Kei Hong Kong was first admitted to become an approved specialist contractor under the "Structural Steelwork" category on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of the Development Bureau.
	Wing Kei Hong Kong was first accredited with ISO 9001 (Quality Management System).
	Wing Kei Hong Kong was awarded a structural steelwork project of New Panda Habitat for the Ocean Park master redevelopment project.

Year	Events
2010	Wing Kei Hong Kong was awarded a structural steelwork project for the construction of Town Park and Indoor Velodrome-cum Sports Centre at Tseung Kwan O.
2014	Wing Kei Hong Kong was awarded the Good Safety Performance Contractor (Structural Steel Works) Commendation （良好表現承判商(結構鐵廊)嘉許狀） from a customer in relation to a structural steelwork project at Lok Wo Sha.
	Wing Kei Hong Kong was awarded a structural steelwork project at the West Kowloon Terminus Station North and South.
2015	Wing Kei Hong Kong was awarded the Best Subcontractor Award（最佳安全分判商獎）from a customer for site safety in relation to a MTR line extension project of the Kwun Tong line.
	Our subsidiary, Wing Kei Dongguan, was established in the PRC in July 2015 to engage in the supply and fabrication of structural steel.
	Wing Kei Hong Kong was awarded a structural steelwork project for the expansion of Terminal 1 annex building and car park at the Hong Kong International Airport.
	Wing Kei Hong Kong was awarded a structural steelwork project at the section of the Hong Kong Link Road between Scenic Hill and Hong Kong boundary crossing facilities for the construction of the Hong Kong-Zhuhai-Macao Bridge.
2016	Wing Kei Hong Kong was awarded a structural steelwork project at Liantang/Heung Yuen Wai Boundary Control Point.
2017	Wing Kei Hong Kong was awarded the Best Subcontractor Award from a customer in relation to a structural steelwork project at the West Kowloon Terminus Station South.
	Wing Kei Hong Kong was awarded a structural steelwork project at Harbour Road, Wanchai for the construction of a hotel.
2018	Wing Kei Hong Kong was awarded a structural steelwork project for the expansion of the Hong Kong Science Park.
	Wing Kei Hong Kong was awarded a structural steelwork project for the carriageways at Ho Chung and Nam Pin Wai.

Year	Events
2019	Our subsidiary, Wing Kei Dongguan, established a branch in Dongguan, the PRC, in December 2019.
	Wing Kei Hong Kong was first accredited with ISO 45001:2018 (Occupational Health and Safety Management Systems) and ISO 14001:2015 (Environmental Management Systems).
	Wing Kei Hong Kong secured a structural steelwork project for the Kai Tak Sports Park.
	Wing Kei Hong Kong was awarded a structural steelwork project for the construction of the new General Post Office building in Kowloon Bay.
	Wing Kei Hong Kong was awarded a structural steelwork project for the SkyCity commercial development at the Hong Kong International Airport.
2020	Our Xinlong Production Facility in Dongguan, the PRC, was established for the fabrication of structural steel.
2022	Wing Kei Hong Kong was awarded a structural steelwork project for the expansion of the Legislative Council Complex.
	Wing Kei Hong Kong was awarded a structural steelwork project at Siu Ho Wan for the construction of engineering vehicle (EV) stabling tracks.
2023	Wing Kei Hong Kong was awarded a structural steelwork project of a hotel and commercial building in Central.
	Wing Kei Hong Kong was awarded a structural steelwork project for a private commercial project in Causeway Bay.

OUR CORPORATE DEVELOPMENT

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

WK Development

WK Development was incorporated in BVI with limited liability on 4 July 2023. It is authorised to issue a maximum of 50,000 ordinary shares of par value US$1 in one class. It is an investment holding company.

On the date of its incorporation, WK Development allotted and issued 100 shares of US$1 each as fully paid to our Company, and all the issued shares of WK Development became wholly-owned by our Company.

Wing Kei Hong Kong

Wing Kei Hong Kong was incorporated in Hong Kong with limited liability on 28 July 1999. It principally engages in the supply and installation of structural steel for construction projects in Hong Kong.

On the date of its incorporation, Wing Kei Hong Kong allotted and issued 15,000 shares, 15,000 shares, 30,000 shares, 30,000 shares and 10,000 shares of HK$1 each as fully paid to Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, respectively, and the issued share capital of Wing Kei Hong Kong became owned as to 15%, 15%, 30%, 30% and 10% by Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, respectively.

On 22 July 2008, Wing Kei Hong Kong further allotted and issued 520,000 shares, 540,000 shares and 540,000 of HK$1 each as fully paid to Mr. WH Chan, Mr. Kelvin Chan and Mr. Eddie Chan, respectively. Upon completion of the above transaction, Wing Kei Hong Kong had 1,700,000 shares in issue, of which, 535,000 shares, 15,000 shares, 570,000 shares, 570,000 shares and 10,000 shares were owned by Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, respectively, representing approximately 31.5%, 0.9%, 33.5%, 33.5% and 0.6% of the issued share capital of Wing Kei Hong Kong, respectively.

On 8 August 2017, (i) Mr. WH Chan transferred 120,000 shares and 160,000 shares to Ms. Choi and Ms. Karen Chan, respectively; (ii) Mr. Kelvin Chan transferred 60,000 shares to Ms. Choi; and (iii) Mr. Eddie Chan transferred 60,000 shares to Ms. Choi. The above transactions were properly and legally completed on 8 August 2017, and the issued share capital of Wing Kei Hong Kong became owned as to 15%, 15%, 30%, 30% and 10% by Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, respectively.

As part of the Reorganisation, Wing Kei Hong Kong became an indirect wholly-owned subsidiary of our Company.

On 11 October 2023, Wing Kei Hong Kong allotted and issued 100,000 shares of HK$1 each as fully paid to WK Development. Upon completion of the above transaction, Wing Kei Hong Kong continued to be an indirect wholly-owned subsidiary of our Company.

Wing Kei Dongguan

Wing Kei Dongguan was established in the PRC on 6 July 2015 as a limited liability company with an initial registered capital of US$1,000,000. It principally engages in the supply and fabrication of structural steel for the structural steelwork projects in Hong Kong undertaken by Wing Kei Hong Kong.

At the time of its establishment, the entire equity interest of Wing Kei Dongguan was held by Wing Kei Hong Kong. On 5 December 2016, the registered capital of Wing Kei Dongguan was increased to US$1,200,000. Such additional registered capital was contributed by Wing Kei Hong Kong, and the entire equity interest of Wing Kei Dongguan continued to be held by Wing Kei Hong Kong.

As part of the Reorganisation, Wing Kei Dongguan became an indirect wholly-owned subsidiary of our Company.

Wing Kei Management

Wing Kei Management was incorporated in Hong Kong with limited liability on 28 March 2023. It provides administrative services for our Group.

On the date of its incorporation, Wing Kei Management allotted and issued 10,000 shares of HK$1 each as fully paid to Wing Kei Hong Kong, and the issued share capital of Wing Kei Management became wholly-owned by Wing Kei Hong Kong.

As part of the Reorganisation, Wing Kei Management became an indirect wholly-owned subsidiary of our Company.

REORGANISATION

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

Incorporation of WK (BVI)

On 26 June 2023, WK (BVI) was incorporated in BVI with limited liability. WK (BVI) is authorised to issue a maximum of 50,000 ordinary shares of par value US$1 in one class.

On the date of its incorporation, WK (BVI) allotted and issued 30 shares, 30 shares, 15 shares, 15 shares and 10 shares with a par value of US$1 each as fully paid to Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan, respectively, and all the issued shares of WK (BVI) were owned as to 30%, 30%, 15%, 15% and 10% by Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan, respectively.

Incorporation of our Company

On 28 June 2023, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of a nominal or par value of HK$0.01 each.

On the date of its incorporation, our Company allotted and issued one subscriber Share at par and credited as fully paid to a nominee subscriber, being an Independent Third Party. On the same date, the nominee subscriber as transferor executed an instrument of transfer in favour of WK (BVI), pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to WK (BVI).

Upon completion of the above transfer, the issued share capital of our Company then became wholly-owned by WK (BVI).

Incorporation of WK Development

On 4 July 2023, WK Development was incorporated in BVI with limited liability. WK Development is authorised to issue a maximum of 50,000 ordinary shares of par value US$1 in one class.

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

Acquisition of Wing Kei Hong Kong by WK Development from Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan

Immediately before the Reorganisation:

(i) Wing Kei Hong Kong had 1,700,000 ordinary shares in issue. Of which, 510,000 ordinary shares, 510,000 ordinary shares, 255,000 ordinary shares, 255,000 ordinary shares and 170,000 ordinary shares were legally and beneficially owned by Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan, respectively, representing 30%, 30%, 15%, 15% and 10% of the issued share capital of Wing Kei Hong Kong, respectively.

(ii) Wing Kei Management had 10,000 ordinary shares in issue. The entire share capital of Wing Kei Management is legally and beneficially owned by Wing Kei Hong Kong.

(iii) Wing Kei Dongguan had a fully paid-up registered capital of US$1,200,000. The entire equity interest of Wing Kei Dongguan is legally and beneficially owned by Wing Kei Hong Kong.

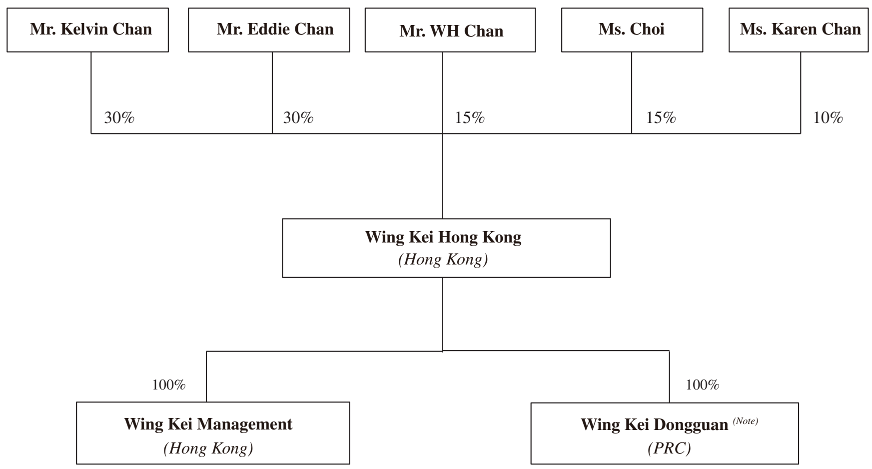
On 21 July 2023, Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan (as vendors), WK Development (as purchaser), and our Company entered into a sale and purchase agreement and executed the relevant instruments of transfer and bought and sold notes, pursuant to which, WK Development acquired 510,000 ordinary shares, 510,000 ordinary shares, 255,000 ordinary shares, 255,000 ordinary shares and 170,000 ordinary shares in Wing Kei Hong Kong from Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan, respectively, representing 30%, 30%, 15%, 15% and 10% of the issued share capital of Wing Kei Hong Kong, respectively. In consideration of the acquisition, WK Development allotted and issued 100 shares of US$1 each, credited as fully paid, to our Company at the direction of Mr. Eddie Chan, Mr. Kelvin Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan.

Upon completion of the above transactions, Wing Kei Hong Kong, Wing Kei Management and Wing Kei Dongguan became wholly-owned subsidiaries of WK Development.

CORPORATE STRUCTURE

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

Corporate structure of our Group immediately before the Reorganisation

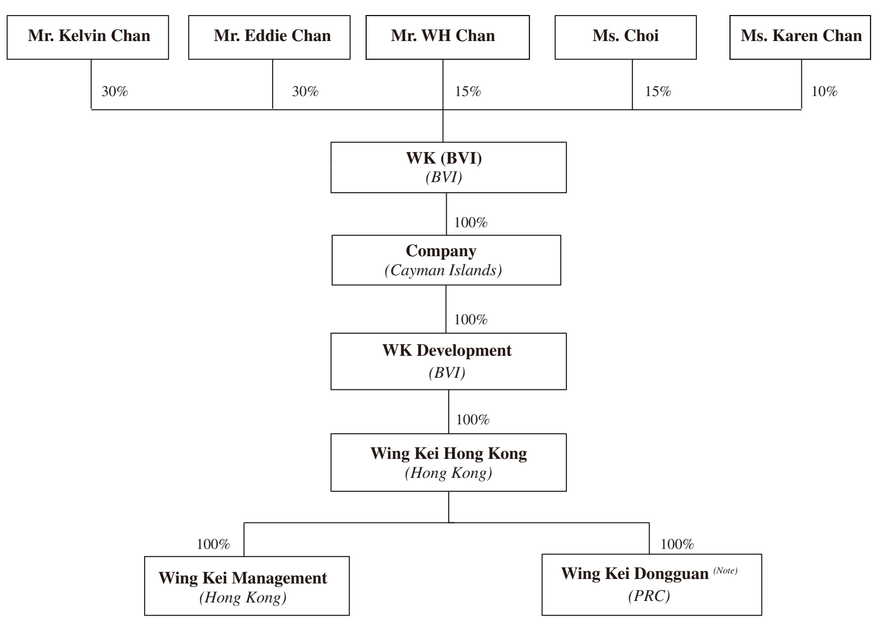


Note: Wing Kei Dongguan has a branch in Dongguan, namely Dongguan Yongji Metal Component Manufacturing Co., Ltd. Dalingshan Branch* (東莞永基金屬構件製造有限公司大嶺山分公司).

* *for identification purpose only*

Corporate structure of our Group immediately after the Reorganisation

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



Note: Wing Kei Dongguan has a branch in Dongguan, namely Dongguan Yongji Metal Component Manufacturing Co., Ltd. Dalingshan Branch* (東莞永基金屬構件製造有限公司大嶺山分公司).

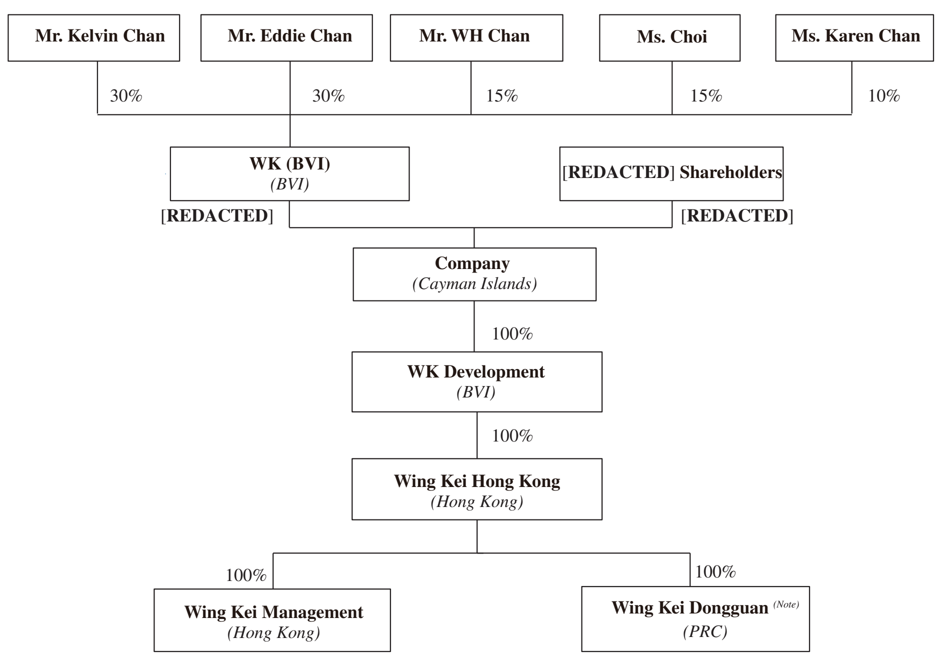
* *for identification purpose only*

[REDACTED]

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

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

Corporate structure of our Group immediately after the [REDACTED] and [REDACTED]



Note: Wing Kei Dongguan has a branch in Dongguan, namely Dongguan Yongji Metal Component Manufacturing Co., Ltd. Dalingshan Branch*（東莞永基金屬構件製造有限公司大嶺山分公司）.

* *for identification purpose only*

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE [REDACTED]

As advised by the PRC Legal Advisers, since our PRC subsidiary was established as a wholly foreign-owned enterprise, and the Reorganisation did not involve any acquisition of domestic enterprises, the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) are not applicable to the Reorganisation, and the **[REDACTED]** is not subject to the approval from any PRC securities regulatory bodies.

In addition, as advised by the PRC Legal Advisers, since Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan, being the ultimate shareholders and beneficial owners of our Company, are not PRC domestic persons who hold PRC identity documents nor individuals who reside in the PRC habitually for the purpose of economic benefit, Mr. WH Chan, Ms. Choi, Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan are not subject to the registration requirements under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the State Administration of Foreign Exchange of the PRC on 4 July 2014.

The PRC Legal Advisers further confirmed that there is no approval, permit and licence required under the PRC laws and regulations in connection with the Reorganisation.

BUSINESS OVERVIEW

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. We were established in 1999 and have since undertaken structural steelwork in the role of subcontractor. With two production facilities in Dongguan, the PRC, we possess our in-house capacity to process and fabricate structural steel tailored to the specifications of our customers. All of our structural steel production capacity is currently used to cater to our own project needs. According to the Industry Report, our Group ranked third in the Hong Kong structural steelwork industry in terms of revenue in 2022, and accounted for approximately 3.4% of the market share in 2022.

Structural steelwork refers to the fabrication and forming of steel structures, typically serving as the backbone of buildings and infrastructure during initial construction stage. Essentially, structural steelwork involves columns and beams which are riveted, bolted or welded together. Structural steelwork providers supply, cut, bend, weld and assemble structural steel frames, trusses and other components into structures in accordance with the specifications provided in the building plans and designs.

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) maintaining regular communication with our customers; (iv) monitoring the implementation of construction site works; (v) conducting site safety supervision and quality control; and (vi) developing detailed work schedule and work allocation plan. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred subcontracting fees of approximately HK$71.0 million, HK$48.9 million, HK$91.6 million and HK$57.2 million for our construction site works, representing approximately 29.3%, 32.9%, 39.8% and 34.9% of our total purchases, respectively.

During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. Our public sector projects mainly involved infrastructure and public facilities as well as public residential developments. The customers of our public sector projects were generally main contractors engaged by different Hong Kong government departments, authorities and statutory bodies. To a lesser extent, we were also engaged in private sector projects in Hong Kong. Our private sector projects mainly involved private commercial, residential and industrial developments. The project owners of our private sector projects were generally property developers, and our customers were main contractors engaged under such projects. Based on enquiries with our major customers, save for certain mega-scale construction projects, our Group was generally engaged by our customers as a subcontractor exclusively for carrying out the structural steelwork involved in the projects that we participated in during the Track Record Period.

During the Track Record Period, the majority of our revenue was derived from structural steelwork for infrastructure and public facilities. The following table sets forth a breakdown of our revenue during the Track Record Period by reference to project sectors and the types of development involved:

	FY2020			FY2021			FY2022		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000	*%*		*HK$'000*	*%*		*HK$'000*	*%*
Public sector									
– Infrastructure and public facilities	17	117,650	36.2	10	142,717	62.4	18	273,912	81.4
– Residential	5	25,476	7.9	4	8,936	3.9	3	10,721	3.2
Sub-total	22	143,126	44.1	14	151,653	66.3	21	284,633	84.6
Private sector									
– Commercial	12	169,410	52.2	13	76,850	33.6	13	51,741	15.4
– Residential	2	560	0.2	3	237	0.1	1	10	negligible
– Industrial	2	11,196	3.5	1	36	negligible	–	–	–
Sub-total	16	181,166	55.9	17	77,123	33.7	14	51,751	15.4
Total	38	324,292	100.0	31	228,776	100.0	35	336,384	100.0

	For the nine months ended 30 September					
	2022			2023		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000	*%*		*HK$'000*	*%*
		(Unaudited)				
Public sector						
– Infrastructure and public facilities	16	202,523	80.5	19	191,720	81.5
– Residential	3	6,207	2.5	2	3,915	1.7
Sub-total	19	208,730	83.0	21	195,635	83.2
Private sector						
– Commercial	10	42,828	17.0	8	37,053	15.8
– Residential	1	3	negligible	1	2,350	1.0
– Industrial	–	–	–	–	–	–
Sub-total	11	42,831	17.0	9	39,403	16.8
Total	30	251,561	100.0	30	235,038	100.0

Our Group's revenue decreased by approximately 29.5% from approximately HK$324.3 million for FY2020 to approximately HK$228.8 million for FY2021, which was mainly attributable to:

(i) Project No. #01, being our top project for FY2020 involving a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020, and no revenue was derived from Project No. #01 for FY2021; and

(ii) the unexpected change to our works schedule of Project No. #02, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$380.2 million. Our Group secured Project No. #02 from Hip Hing Group in late 2019 and started generating revenue from Project No. #02 by October 2019. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised revenue of approximately HK$71.3 million, HK$69.5 million, HK$193.2 million and HK$40.9 million, from Project No. #02, respectively. According to the original project schedule, our contract works were supposed to commence in or around late 2019 and complete by mid-2021. In anticipation of the tight project schedule and scale of works under Project No. #02, our Group had started procuring materials and commenced part of the structural steel fabrication works shortly after we secured this project.

    By mid-2020, we were informed that our works schedule of Project No. #02 would be revised primarily due to changes in design and drawings of structural steelwork by the project owner and that the substantial part of our construction site works would be rescheduled to 2021.

    Being mindful of the revised project schedule of Project No. #02 and in light of the constraint in our available resources, during the second half of 2020, our executive Directors considered that it was vital to temporarily refrain from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02. Our Group also decided to reserve a substantial amount of our then available resources, including the capacity at our production facilities and manpower of our project management staff, for Project No. #02, taking into consideration (a) the substantial part of our construction site works under Project No. #02 would be rescheduled to 2021; (b) the sizeable scale and amount of works involved under such project; (c) the expected workloads for other ongoing projects; (d) the uncertainty arising from the COVID-19 outbreak and the associated risks of labour shortage and disruption to the transportation between Hong Kong and the PRC; and (e) the need to preserve our industry reputation and business relationship with Hip Hing Group via the satisfactory completion of Project No. #02, which is a landmark sports infrastructure development in Hong Kong.

Later in mid-2021, our Group was informed that the substantial part of our construction site works under Project No. #02 would be further rescheduled due to the late handover of the relevant work sites to us. While pending instruction from Hip Hing Group for proceeding with our construction site works, we had continued to perform fabrication works in 2021 to ensure we could meet the revised project schedule of Project No. #02. The fabricated items have occupied significant storage space at our production facilities, thereby reducing our production capacity for undertaking other projects in 2021.

Amid the repeated rescheduling of Project No. #02, during the second half of FY2021, we attempted to recoup the expected revenue which would otherwise be generated from Project No. #02 in the absence of such rescheduling. We did this by tendering for new projects that have relatively shorter duration and could readily commence in the near term. Despite our efforts, the revenue generated from the projects we obtained during the second half of 2021 was not sufficient to compensate for the decrease in our revenue due to the lower amount of works performed under Project No. #02. In addition, as mentioned above, during the second half of 2020, we had temporarily refrained from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02, resulting in lower amount of works performed by us in FY2021. After mid-2021, our Group did not receive any further notice in relation to the rescheduling of Project No. #02 and a substantial part of our construction site works were carried out in 2022 in accordance with the last revised schedule. Pursuant to the contract terms of the service agreement for Project No. #02, in the event our contract works under Project No. #02 was not completed within the original schedule due to reason(s) other than our default, our Group shall be entitled to apply in writing to Hip Hing Group for an extension to project duration and claim for any additional costs reasonably incurred by us arising from the delay. Based on (i) our negotiation with Hip Hing Group; and (ii) the aggregate payment certification certified by Hip Hing Group exceeds the original contract sum of this project, the Directors are of the view that our Group was able to claim for substantial part of the increase in costs incurred by us arising from the rescheduling of Project No. #02 to Hip Hing Group.

During the Track Record Period, we had a total of 73 projects with revenue contribution to us. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any loss-making projects. As at the Latest Practicable Date, we had 22 projects on hand. For further details, please refer to the paragraph headed "Projects on hand" below in this section.

Our Group recorded a relatively lower gross profit margin of approximately 15.5% for FY2021 as compared to approximately 17.0% and 19.9% for FY2020 and FY2022, respectively, which was mainly due to the unforeseen rescheduling of our construction site works for Project No. #02 in mid-2021 as aforementioned. Due to the unanticipated rescheduling of Project No. #02, a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity were rendered idle or not fully utilised during FY2021, resulting in certain direct labour costs, manufacturing overheads and project administrative costs incurred, which amounted to approximately HK$1.9 million during FY2021 (the "**Idle Cost**"). In accordance with the relevant accounting standard, as the Idle Cost did not contribute to our Group's progress in satisfying our performance obligations amid the rescheduling of Project No. #02, our Group did not recognise the corresponding revenue for the Idle Cost by the time they were incurred, and such Idle Cost was not allocated to Project No. #02 or any particular project undertaken by our Group, but were recognised as unallocated costs in our Group's cost of services for FY2021. As a result, the gross profit margin of Project No. #02 was not adversely affected by the Idle Cost. Nonetheless, since the Idle Cost had been recognised as unallocated cost of services of our Group for FY2021 and did not contribute the corresponding revenue to our Group for FY2021, our Group's overall gross profit margin for FY2021 was lower as compared to that of FY2020 and FY2022.

During the Track Record Period, we identified business opportunities mainly through invitation for tender from customers. As we undertake structural steelwork in the role of subcontractor, all of our revenue generated was derived from projects awarded by construction contractors during the Track Record Period. Therefore, to a significant extent, our tender exposure depends on the types of projects obtained by our construction contractor customers. Our Group has all along remained open to, and possesses substantial track record in undertaking both public sector and private sector projects. Based on our past experience, as far as structural steelwork is concerned, our executive Directors consider that there is no material difference in the expertise and know-how required for public sector and private sector projects. Our Group generally determines whether we should proceed with the preparation of tender based on, amongst others, the scope of services, our capability, the expected complexity, our production capacity of structural steel, the available space at our production facilities for the fabrication process and storage of materials, our available financial and human resources and feasibility and profitability of the project. As long as our capacity and available resources allow, our Group will endeavor to respond to tender invitations received from customers, with little regard to the sector that the relevant projects belong to. Therefore, the proportion of our revenue derived from private and public sector projects may vary from period to period, largely affected by the projects obtained and undertaken by our construction contractor customers at the relevant times, rather than caused by any change in our business focus or strategy.

Private sector projects contributed approximately 55.9%, 33.7%, 15.4% and 16.8% of our total revenue for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. Our Group recorded a relatively higher percentage of revenue contribution from private sector projects for FY2020 mainly because we performed a substantial amount of works for Project No. #01 in the same year. Project No. #01 involved a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020 and no revenue was generated therefrom since FY2021.

Our principal operating subsidiary in Hong Kong, Wing Kei Hong Kong, is currently a registered subcontractor under the category of structural steelwork on the Register of Subcontractors maintained by the Construction Industry Council. Wing Kei Hong Kong is also registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of structural steelwork. For further details, please refer to the paragraph headed "Licences, registrations and permits" in this section.

Wing Kei Dongguan, being our PRC operating subsidiary, operates two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our steelwork projects. Our Dapianmei Production Facility commenced operations back in 2000, and our Xinlong Production Facility subsequently came into operation in 2020 in light of the increasing needs of our structural steelwork projects. All of our structural steel production capacity is currently used to cater to our own project needs.

Our Dapianmei Production Facility and Xinlong Production Facility could fabricate up to 6,600 tonnes and 3,300 tonnes of structural steel per year, respectively. Our ability to undertake additional and sizeable structural steelwork projects, to a large extent, depends on the available capacity and space of our production facilities. Structural steel fabrication is a space-intensive activity which involves significant areas for the storage, maneuver and processing of bulky metal items. The size, shape, density and specifications of steel required vary from project to project. As a general practice, each batch of steel used in a project is bundled together and then physically endorsed with the signature of our customers' representatives for identification purpose. To avoid intermingling of the steel bundle earmarked for different projects, we generally place and store the steel bundle for each project under designated and separate area in our production facilities. In addition, as we operate gantry cranes for lifting and transporting bulky items within our production premises, we would have to allow adequate room for moving around the loads in a safe and unobstructed manner. Further, sufficient space has to be given to our workers to ensure their safety and efficiency as they carry out manual works throughout the steel fabrication process.

Our Directors consider that our ability to process and fabricate structural steel at our own production facilities enables us to provide tailored solutions to our customers with better quality assurance, achieve stability in supply and cost efficiency and allows us to offer more competitive prices as compared to our competitors which have to source structural steel from third party suppliers.

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) suppliers of materials such as steel; (ii) subcontractors of construction site works; (iii) subcontractors of structural steel fabrication works; and (iv) suppliers of other miscellaneous services such as testing, machinery services, transportation and technical engineering services.

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Our quality management system has been certified to satisfy the requirement of ISO 9001:2015.

According to the Industry Report, the demand for structural steelwork in Hong Kong will continue to grow at a CAGR of approximately 4.8% from 2023 to 2027, reaching a gross value of approximately HK$12,580.1 million in 2027. Driven by various growth drivers including (i) the demand for structural steelwork generated from the planned and ongoing infrastructural and property developments in both public and private sectors in Hong Kong such as the Three Runway System development, Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South New Development Areas, New Central Harbourfront development and the Caroline Hill Road Causeway Bay commercial project; (ii) the increasingly common adoption of structural steelwork for construction in Hong Kong owing to its eco-friendliness nature, flexibility of use and better performance in achieving space efficiency; and (iii) the growing emphasis and continuous support from the Hong Kong government for the development of the structural steelwork industry, including the increase in use of steel structures by the Hong Kong government in major infrastructure projects and the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University ("**PolyU**"), which is likely to improve applied research and technology in structural steel engineering and infrastructure sustainability, as well as strengthen the structural steel engineering industry's productivity, capability and competitiveness. The gross value of structural steelwork in Hong Kong is expected to maintain a steady growth. With our experienced management team and past track record, our executive Directors believe that we are well-positioned to capture the growing demand for structural steelwork in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry overview" in this document.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We provide tailored solutions in relation to structural steelwork to our customers

We provide tailored solutions to our customers comprising the supply, fabrication and installation of structural steel for construction projects in Hong Kong. According to the Industry Report, the structural steelwork industry in Hong Kong is highly competitive and fragmented. Structural steelwork contractors which offer comprehensive engineering contracting services are generally able to differentiate themselves from other market participants and are typically preferred by customers such as property developers and government agencies. In particular, structural steelwork contractors which possess in-house capacity to process and fabricate structural steel and operate its own processing or manufacturing facilities are generally able to control production costs more effectively, respond to market demand more quickly, ensure a consistent supply of products for customers and enjoy greater flexibility in adjusting the supply and installation schedules to meet supplemental orders and tight timeline from unforeseen demand, thereby enhancing their appeal to potential customers. As advised by F&S, within the pool of over 500 structural steelwork contractors in Hong Kong, only around 2% of them, such as KPa-BM Holdings Limited, being one of the top structural steelwork contractors in Hong Kong, have possessed in-house capacity to fabricate structural steel.

Our Group, being one of the structural steelwork contractors in Hong Kong which possesses in-house capacity to fabricate structural steel, operates two production facilities located in Dongguan, the PRC, for structural steel fabrication. Our Dapianmei Production Facility and Xinlong Production Facility could fabricate up to 6,600 tonnes and 3,300 tonnes of structural steel per year, respectively. Our Directors consider that our established in-house capacity to process and fabricate structural steel tailored to the specifications of our customers gives us greater flexibility in undertaking projects of different scale and enables us to cater to the project schedule required by our customers. Our in-house steel fabrication capacity also enables us to maintain better quality control and assurance over the structural steel used in our projects, achieve stability in supply and allows us to achieve cost efficiency which in turn allows us to offer more competitive prices to our customers as compared to our competitors which have to source structural steel from third party suppliers.

We have an established track record in the structural steelwork industry in Hong Kong

The history of our Group can be traced back to 1999, when Mr. WH Chan and Mr. Kelvin Chan established Wing Kei Hong Kong. According to the Industry Report, our Group ranked third in the Hong Kong structural steelwork industry in terms of revenue in 2022, and accounted for approximately 3.4% of the market share in 2022. In our operating history of over 24 years, we have focused on providing structural steelwork services in the role of subcontractor and built up our expertise and track record in structural steelwork.

Wing Kei Hong Kong is currently a registered subcontractor under the category of structural steelwork on the Register of Subcontractors maintained by the Construction Industry Council. Wing Kei Hong Kong is also registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of structural steelwork. According to the Industry Report, as part of the tender conditions and to ensure quality assurance, main contractors would generally select structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works to carry out the structural steelwork in a construction project. As at the Latest Practicable Date, there were in total 50 structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works. In light of the limited number of structural steelwork subcontractors with such registration, our executive Directors consider that our registration on the List of Approved Specialist Contractors for Public Works distinguished our market position in the Hong Kong structural steelwork industry.

We take pride in our project portfolio of structural steelwork which involves a wide range of buildings and facilities, including public infrastructure and facilities, residential, commercial and industrial developments in Hong Kong. In particular, we have participated in a number of sizeable landmark public infrastructure developments in Hong Kong including Kai Tak Sports Park, Hong Kong-Zhuhai-Macao Bridge, Hong Kong International Airport, Hong Kong Post Central Mail Centre and Liantang/Heung Yuen Wai Boundary Control Point in our operating history.

Further, our commitment to service quality has been well-recognised in the Hong Kong structural steelwork industry. We have received a number of commendations from our customers and/or project owners as recognition of our satisfactory performance in their projects, such as the well-performed contractor award, the best subcontractor awards and certain certificates recognising our commitment to achieving a safe workplace and/or quality works.

We believe that our proven track record of quality works, our expertise in structural steelwork and our ability to deliver works on time are the crucial factors that enable us to gain trust from our customers and give us a competitive edge when tendering for projects.

Our management team is experienced and dedicated

Our management team has extensive industry knowledge and project experience in the structural steelwork industry in Hong Kong. Mr. Kelvin Chan, an executive Director, the chief executive officer of our Group and one of our founders, has more than 24 years of experience in the structural steelwork industry. Mr. Kelvin Chan is primarily responsible for the overall management and formulation of business strategies of our Group. Mr. Eddie Chan, an executive Director and the chief operating officer of our Group, has more than 20 years of experience in the structural steelwork industry. Mr. Eddie Chan is primarily responsible for the overall project management and day-to-day management of the operations of our Group. Ms. Karen Chan, an executive Director, has over seven years of experience in the structural steelwork industry. Ms. Karen Chan is primarily responsible for the overall day-to-day management of the operations and administration of our Group. Our executive Directors are supported by our project management team consisting of 10 personnel as at 30 September 2023, who possess practical skills and experience as required in handling our projects. For example, Mr. Leung Lok Him, our project manager and a member of our senior management, has over seven years of experience in the structural steelwork industry. For further details regarding the background and experience of our management team, please refer to the section headed "Directors and senior management" in this document.

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

We impose stringent quality control systems

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Our quality management system has been certified to satisfy the requirements of ISO 9001:2015.

Our Group maintains an approved list of suppliers which is updated on a regular basis. Depending on the contract terms with our customers, we may be required to procure materials with certain specifications or quality standards. Our Group would generally arrange for testing of the materials by external laboratory selected by the Hong Kong government or by us. We typically conduct inspection on the materials upon their delivery to our production facilities in the PRC. Our customers would also direct representatives to conduct inspection and endorse on the materials for identification and tracking purpose.

Our quality control department closely monitors our structural steel fabrication process to ensure strict compliance with our standard operating procedures. Our Group submits quality control report to our customers throughout the structural steel fabrication process on a regular basis. Our Group also engages third party testing service providers for weld testing to ensure the strength and quality of our semi-finished products. The third party testing service provider will issue testing reports to our Group, which will be submitted to our customers for approval.

We perform in-house inspections on each batch of finished goods to ensure our products comply with the specifications and requirements of our customers. We are generally required to provide outgoing quality inspection reports to our customers for approval before the products are delivered to the construction sites in Hong Kong. Our foremen and our customers' representatives at the construction sites would also conduct inspection on the finished products upon their arrival.

Our executive Directors believe that stringent quality control system allows us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as a structural steelwork contractor in Hong Kong.

BUSINESS STRATEGIES

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

Taking into consideration (i) our competitive strengths set out in the paragraph headed "Competitive strengths" above in this section; (ii) our proven track record and expertise in undertaking structural steelwork; (iii) our capability in providing tailored solutions to our customers comprising the supply, fabrication and installation of structural steel for construction projects in Hong Kong; and (iv) the forecasted growth of the structural steelwork industry in Hong Kong as provided in the Industry Report, our Directors believe that our Group would be able to capture the potential business opportunities associated with the forecasted increase in demand for structural steelwork as discussed in the paragraphs below if we continue to increase our available resources.

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

Competing for structural steelwork projects and expanding our market share

According to the Industry Report, it is expected that the gross value of structural steelwork in Hong Kong will increase from approximately HK$10,409.2 million in 2023 to approximately HK$12,580.1 million in 2027, representing a CAGR of approximately 4.8% from 2023 to 2027. Driven by various growth drivers including (i) the demand for structural steelwork generated from the planned and ongoing infrastructural and property developments in both public and private sectors in Hong Kong such as the Three Runway System development, Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South New

Development Areas, New Central Harbourfront development and the Caroline Hill Road Causeway Bay commercial project; (ii) the increasingly common adoption of structural steelwork for construction in Hong Kong owing to its eco-friendliness nature, flexibility of use and better performance in achieving space efficiency; and (iii) the growing emphasis and continuous support from the Hong Kong government for the development of the structural steelwork industry, including the increase in use of steel structures by the Hong Kong government in major infrastructure projects and the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University ("**PolyU**"), which is likely to improve applied research and technology in structural steel engineering and infrastructure sustainability, as well as strengthen the structural steel engineering industry's productivity, capability and competitiveness. The gross value of structural steelwork in Hong Kong is expected to maintain a steady growth. Our Group has received tender invitations for projects in relation to the abovementioned infrastructural and property developments in Hong Kong, including the Three Runway System development, Kwu Tung North, Hung Shui Kiu/Ha Tsuen and Yuen Long South New Development Areas, New Central Harbourfront development and the Caroline Hill Road Causeway Bay commercial project. In particular, we have secured a project, namely Project No. #13, in relation to the Caroline Hill Road Causeway Bay commercial project with an estimated contract sum of approximately HK$388.0 million, details of which are disclosed under the paragraph headed "Future plans and use of **[REDACTED]** - Use of **[REDACTED]**" in this document. With our experienced management team and past track record, our executive Directors believe that we are well-positioned to capture the growing demand for structural steelwork in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry overview" in this document.

In light of the steady growth in demand for structural steelwork in Hong Kong, our Directors believe that we should focus on deploying our resources towards competing for additional and more sizeable structural steelwork projects. The number of projects that can be executed by our Group concurrently at any given time is constrained by our then available resources. Hence our Directors believe that our Group will only be able to undertake additional projects on top of our present scale of operation and our current projects on hand if we are able to continue to increase our available resources, including the capacity and available space of our production facilities, our manpower and financial resources. As at the Latest Practicable Date, our Group had a total of 22 projects on hand with an aggregate of approximately HK$574.5 million yet to be recognised as revenue.

According to the Industry Report, our Group accounted for approximately 3.4% of the market share in the Hong Kong structural steelwork industry in terms of revenue in 2022. Taking into consideration the forecasted growth in the Hong Kong structural steelwork industry as provided in the Industry Report, our executive Directors consider that there is plenty of room for us to expand our business operations and strengthen our market standing in the Hong Kong structural steelwork industry by actively seeking opportunities in undertaking additional and sizeable structural steelwork projects from both our existing and potential new customers. During the Track Record Period, Our Group has experienced growth in tender opportunities for sizeable projects. This is illustrated by (i) the increasing average tender value in respect of the tenders submitted by our Group from approximately HK$13.5 million for FY2020 to approximately HK$16.1 million for FY2021 and further increased to approximately HK$28.5 million for FY2022; and (ii) the fact that the number of tenders submitted by our Group with tender amount above HK$50.0 million increased from two for FY2020 to three for FY2021 and further increased to 13 for FY2022.

According to the Industry Report, as part of the tender conditions and to ensure quality assurance, main contractors would generally select structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works to carry out the structural steelwork in a construction project. As at the Latest Practicable Date, there were in total 50 structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works. In light of the limited number of structural steelwork contractors with such registration, our Directors consider that our registration on the List of Approved Specialist Contractors for Public Works distinguished our market position in the Hong Kong structural steelwork industry and give us competitive advantages in capturing the increase in demand for structural steelwork in Hong Kong.

Further, our Directors consider that the **[REDACTED]** will enhance our corporate profile and credibility which will enable our Group to be considered more favourably by our existing and potential new customers, given that a listed company is subject to ongoing regulatory compliance for announcements, financial disclosure and corporate governance. Based on the above, our Directors consider that upon our successful **[REDACTED]**, our Group will have greater exposure to potential opportunities, and our competitiveness for structural steelwork projects will increase accordingly.

Expanding our production capacity of structural steel

We take pride in being a structural steelwork contractor which can provide tailored solutions comprising the supply, fabrication and installation of structural steel. As advised by F&S, within the pool of over 500 structural steelwork contractors in Hong Kong, only around 2% of them have possessed in-house capacity to fabricate structural steel. Our in-house capacity to fabricate structural steel gives us competitive edge in the structural steelwork industry in Hong Kong as it gives our customers better quality assurance and allows us to achieve stability in supply and cost efficiency, thereby allowing us to offer more competitive prices as compared to our competitors which have to source structural steel from third party suppliers. In addition, we demonstrate a high level of transparency in the production process of our structural steel. As a general practice, our customers would assign their own representatives to carry out multiple rounds of inspection throughout the fabrication process to ensure the materials and products conform to their standards and specifications. As a substantial portion of structural steel used in our projects are fabricated at our own production facilities, we are able to give timely and full access to our customers as they request for on-site inspection, which in turn could enhance their confidence in our production process and product quality.

We are committed to expanding our production capacity and efficiency. We currently operate two production facilities located in Dongguan, the PRC, for structural steel fabrication, namely (i) the Dapianmei Production Facility with a gross floor area of approximately 7,000 sq.m.; and (ii) the Xinlong Production Facility with a gross floor area of approximately 8,700 sq.m.. The Dapianmei Production Facility and the Xinlong Production Facility are both located in Dongguan, the PRC.

Our Group has been exposed to growing tender opportunities for more sizeable scale of projects which can be demonstrated by the increase in number of tender invitations received by us for projects with higher tender value. As at the Latest Practicable Date, our Group had a total of 51 submitted tenders with an aggregate estimated tender value of approximately HK$1.7 billion, that were still pending tender results. Out of the 51 submitted tenders, our executive Directors consider that we would likely be able to secure at least two projects (the "**Identified Projects**"), with an estimated contract sum of approximately HK$367.7 million in aggregate. In addition to those two Identified Projects, our remaining tenders submitted which were pending tender results included, among others, three projects with an estimated contract sum of approximately HK$264.5 million, HK$180.4 million and HK$91.5 million, respectively. Further, in September 2023, our Group secured Project No. #13 with an estimated contract sum of approximately HK$388.0 million, involving a commercial development in Causeway Bay, from Hip Hing Group, details of which are set out in the paragraph headed "Projects on hand" below in this section. Project No. #13 represents the largest project obtained by us in terms of estimated contract sum during the Track Record Period. Our Directors consider that the increasing scale of projects obtained by our Group is a recognition of our service quality and reliability as demonstrated in our previous projects. Given our Group is generally required to fabricate the structural steel required in a project, our Directors anticipate that the increase in scale of projects tendered and obtained by us will inevitably result in greater demand for our production capacity.

In this regard, we plan to acquire a piece of land within or in proximity to Dongguan, the PRC (the "**Proposed Acquisition**") and construct an additional production facility (the "**New Production Facility**") with a gross floor area of approximately 16,000 sq.m.. It is estimated that the New Production Facility will have a maximum annual production capacity of approximately 6,600 tonnes.

As at the Latest Practicable Date, our Group had engaged a property agent in the PRC for identifying suitable land for the New Production Facility based on the following criteria: (i) being located within or in proximity to Dongguan, the PRC; (ii) the estimated consideration for the land shall range from RMB20.0 million to RMB25.0 million; (iii) the land is for industrial use and our Group shall be allowed to construct production facilities, offices and ancillary facilities on the land; (iv) having obtained valid land use certificate; (v) being free from any subsisting or potential defects to the title of land or any third party claims; (vi) there being no major difficulties in obtaining approval or consent from relevant government authorities for the transfer of land; and (vii) being equipped with the necessary infrastructural facilities such as electricity, drainage and sewage treatment. The property agent has informed us that based on the search and enquiry performed, at least five targets which fulfil the above criteria are available in the market for the time being. In order to ensure that suitable land which fulfil our criteria will be readily available for sale, the property agent had agreed to continue updating the list of identified land parcels on a regular basis. In the event any of the identified land parcels is no longer available for sale, the property agent shall identify alternative land parcels that fulfil our criteria.

Depending on (i) the progress and time required for conducting formal due diligence on suitable targets; (ii) the final consideration for the land based on negotiation with potential sellers; and (iii) the prevailing condition of the property market in Dongguan, the PRC, our executive Directors currently expect that the Proposed Acquisition will be carried out within three to six months from the **[REDACTED]**. Based on our management's best estimation and past experience, it would take approximately six to nine months to complete the construction of the New Production Facility and commence operation and an additional three months for the New Production Facility to come into full operation. As advised by our PRC Legal Advisers, the following licenses would be required for the New Production Facility and the underlying land to operate without any material legal risks: the land use right certificate (土地使用權書), construction planning permit (建設工程規劃許可證) and property ownership certificate(房屋所有權證).

If the construction of the New Production Facility is successfully completed on or before October 2024, by which the lease of the Xinlong Production Facility would expire, we will relocate those productions carried out at the Xinlong Production Facility to the New Production Facility so as to reduce our rental costs and achieve better operational efficiency. Meanwhile, if the New Production Facility is not yet available for use when the current lease of the Xinlong Production Facility expires, our Group will either (i) negotiate with the landlord of the Xinlong Production Facility for an extension of the lease term; or (ii) identify and relocate to other leased premises on temporary basis until the New Production Facility is completed.

(I) Fabrication of structural steel is space intensive in nature

Structural steel fabrication is a space-intensive activity which involves significant areas for the storage, maneuver and processing of bulky metal items. The size, shape, density and specifications of steel required vary from project to project. As a general practice, each batch of steel used in a project is bundled together and then physically endorsed with the signature of our customers' representatives for identification purpose. To avoid intermingling of the steel bundle earmarked for different projects, we generally place and store the steel bundle for each project under designated and separate area in our production facilities.

Due to the weight and size of the materials involved (e.g. steels plates etc.), it is inherently difficult to lift and transport the materials to different sections of the production premises with general lifting equipment. In view of this, gantry cranes were installed in each of our two production facilities for lifting and transporting bulky items within the production premises throughout the fabrication process. As we operate gantry cranes for lifting and transporting bulky items, we would have to allow adequate room for moving around the loads in a safe and unobstructed manner.

Further, sufficient space has to be given to our workers to ensure their safety and efficiency as they carry out manual works throughout the steel fabrication process. Notwithstanding the limitation of available storage space in our production facilities, we usually refrain from piling up steel bundles or articles of different specifications on each other as this may easily result in confusion over the segregation of materials for different projects, and excessive piling of materials may also pose risks to work safety and hinder the operations of our gantry cranes as the materials may collide with the hanging objects as the lifting trolley moves along the rail tracks.

Our ability to undertake additional and sizeable structural steelwork projects, to a large extent, depends on our production capacity of structural steel. Owing to the space-intensive nature of structural steel fabrication, our production capacity is partly limited by the available space at our production facilities. In order to enhance our capacity for undertaking structural steelwork projects and strengthen our market position in the Hong Kong structural steelwork industry, our Directors consider that it is imperative for our Group to expand the available space for our fabrication works.

(II) Expanding our production and storage capacity

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the utilisation rate of the Dapianmei Production Facility was approximately 96.8%, 80.1%, 85.8% and 86.2%, respectively; whereas the utilisation rate of the Xinlong Production Facility was approximately 85.3%, 76.2%, 77.6% and 78.3%, respectively. For further details, please refer to the paragraph headed "Production facilities and capacity – Utilisation rate" below in this section. Our Directors consider that the relatively high utilisation rates of our production facilities have limited our capacity to compete for new projects. During the Track Record Period, there were occasions when our production capacity of structural steel was close to being fully utilised by our projects on hand and our Group had to refrain from responding to certain tender invitations and/or pursuing new projects during the tender selection process. Our Directors consider that it is not desirable for our Group to repeatedly abstain from tender submissions because this may be perceived negatively by our customers and they could be less inclined to invite us to tender for new projects again in the future.

Besides, under our occupational health and safety procedures and measures, we strive to provide adequate work space for our production staff. For instance, when our workers operate cutting machine and welding machine at our production facilities, we generally require them to maintain a distance of no less than three meters from each other. Since the floor area of our production facilities is substantially occupied by our materials and products, our Directors consider that any material increase in production demands may inevitably result in crowded workplace for our production staff and hence reduce their work efficiency.

Leveraging our in-house capacity to process and fabricate structural steel, our Group has endeavoured to cater to the project schedule including any subsequent changes to project schedule required by our customers. During the Track Record Period, there were occasions where our customers revised the project schedule during project implementation, resulting in delay to the commencement of our construction site works. Given our Group is generally required by our customers to process and fabricate the structural steel required in a project, we typically commence the fabrication process of structural steel well before the commencement of our construction site works. Hence, any unforeseen delay to project schedule and/or our commencement of construction site works may result in the finished products being stored and accumulated at our production facilities in the PRC, thereby undermining our available production capacity and hindering our prospect of undertaking new projects.

In order to (i) secure our market position in the Hong Kong structural steelwork industry and to capture the increase in demand for structural steelwork in Hong Kong as stated in the Industry Report; and (ii) ensure a reasonably spacious workplace for our production staff, our Directors consider that we have a genuine and imminent need to increase our production capacity and expanding our production facilities.

Currently, the total maximum production capacity of the Dapianmei Production Facility and the Xinlong Production Facility amounted to approximately 9,900 tonnes per annum in aggregate. Subject to the establishment of the New Production Facility and upon expiry of the lease term of the Xinlong Production Facility by October 2024, we currently plan to relocate our operations from the Xinlong Production Facility to the New Production Facility. It is expected that the New Production Facility will have a maximum annual production capacity of approximately 6,600 tonnes per annum, which will result in a net increase in our Group's maximum production capacity by approximately 3,300 tonnes per annum. The setup of the New Production Facility is also expected to expand our storage capacity for materials and fabricated structural steel as we currently plan to allocate a substantial portion of our New Production Facility for storage purpose. We will recruit additional production staff and quality control staff using our own internal resources to support the expected increase in production capacity.

(III) Commercial rationale for acquiring instead of leasing production facility

Our Directors considered that the Proposed Acquisition brings more commercial benefits to our Group than leasing taking into consideration the followings:

- with reference to the current market rental of properties located in Dongguan, the PRC for production facility use, it is estimated that the cost of leasing a property with gross floor area of approximately 16,000 sq.m. would be approximately RMB4.8 million to RMB5.4 million for each financial year. By comparison, with reference to the current market sale price of properties with similar nature, the estimated land acquisition and construction cost would be approximately RMB45.0 million (equivalent to approximately HK$48.9 million). Based on the accounting policies adopted by our Group, it is estimated that the additional annual depreciation expenses would be approximately RMB1.5 million (equivalent to approximately HK$1.6 million). As the annual rental cost for a property within our target size and location is expected to be significantly higher than the depreciation expenses to be incurred in relation to the setup of the New Production Facility and the Proposed Acquisition, our Directors consider that it is more cost effective for our Group to acquire instead of leasing the new production property; and

- leasing of properties often subject us to the risks of relocation due to non-renewal or premature termination of lease by the landlord. In setting-up a new production facility, we have to incur renovation and setup costs. In the event our lease is being terminated early and we have to relocate to another leased location, we will have to incur similar expenses all over again.

(IV) Breakeven and investment payback periods

Breakeven period refers to the amount of time it takes for the annual revenue generated from the New Production Facility to cover (i.e. at least equal to) its annual costs and expenses incurred; whereas cash investment payback period refers to the amount of time it takes for the cumulative net cash flows to cover the initial capital expenditure of the New Production Facility.

In determining the breakeven period and cash investment payback period of the New Production Facility, our Directors have taken into account the following assumptions:

(i) the capital expenditure for the establishment of the New Production Facility is estimated to be approximately RMB45.0 million (equivalent to approximately HK$48.9 million) in aggregate, of which approximately RMB25.0 million (equivalent to approximately HK$27.2 million) is for the acquisition of land and approximately RMB20.0 million (equivalent to approximately HK$21.7 million) is for the construction and setup of the New Production Facility;

(ii) the New Production Facility would come into full operation in 2026 as the New Production Facility is expected to be constructed in 2024 and 2025, and a series of installation, testing and adjustment on the machinery is expected to be performed in 2025;

(iii) there is no material change in the pricing basis for the sales and purchase transactions between Wing Kei Hong Kong and Wing Kei Dongguan;

(iv) there is no material change in the gross profit margin of our Group; and

(v) our Group's net cash flows, taking into account the average turnover days of trade receivables and unbilled revenue, and trade payables during the Track Record Period.

Based on the assumptions above and subject to any unforeseen circumstances, our Directors estimated that the breakeven period of the New Production Facility would be in 2026 when the New Production Facility comes into full operation; whereas the cash investment payback period of the New Production Facility would be in 2032 when its cumulative net cash flows is able to cover its initial capital expenditure.

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

According to the Industry Report, structural steelwork contractors with proven track record, technical know-how and sufficient capital and financial resources are generally considered favourably by main contractors during the tender selection process. Therefore, structural steelwork contractors with stronger financial standing and cash flow liquidity generally possess competitive advantages to tender for a wider range and larger scale of projects. In view of the aforesaid, our executive Directors believe that our expansion of service capacity and business growth have to be supported by sound financial position and sufficient financial resources. A strong capital base is essential to cope with increased turnover and support capital intensive structural steelwork projects.

According to the Industry Report, structural steelwork contractors generally experience net cash outflows as project up-front costs at the early stage of a project. The up-front costs of our projects generally include costs incurred at the early stage of a project comprising payment made to suppliers for materials, subcontracting fees for our construction site works subcontractors in Hong Kong and structural steel fabrication works subcontractors in the PRC, manufacturing overheads in the PRC and machinery service fees. We generally continue to experience net cash outflows even after the first payment received from our customers due to the time lag between the receipt of progress payment from our customers and payments to third parties. Based on our experience, the amount of cash inflows received from our customers over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of works, while the costs incurred by us typically experienced a less-than-proportionate increase over the period. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses.

Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incur project up-front costs; and (ii) the time when our accumulated net cash outflows in respect of a project starts to decrease from its peak is on average 11 months from the commencement of the project (the "**Up-front Period**"). In respect of our top projects for each year/period during the Track Record Period, we generally received the first progress payment from the relevant customer five months after commencement of the project. Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 12% of the contract sum of the project. The specific amount of up-front costs incurred may vary from project to project, depending on the scale of the project, the party being responsible for the procurement of materials, the schedule of project implementation and the length of our relationships with the relevant customers. In addition, we may experience cash flow mismatch from time to time as our projects progress, which largely depend on (i) the certification process of our customers; (ii) our customers' internal process for approving our invoices; (iii) the required settlement time to our suppliers; and (iv) the number and scale of our projects in progress. The liquidity needs of our projects would therefore impose a constraint on the number and/or scale of the projects which we could undertake concurrently if we solely rely on our operating cash flow to support our expansion.

We believe that the **[REDACTED]** from the **[REDACTED]** will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the **[REDACTED]** for satisfying our up-front costs. We currently plan to apply part of our **[REDACTED]** from the **[REDACTED]** towards fulfilling the relevant up-front costs of Project No. #13 and two tendered projects which our executive Directors consider that we would likely be able to secure. For further details of these projects, please refer to the paragraph headed "Future plans and use of **[REDACTED]** – Use of **[REDACTED]**" in this document.

In September 2023, our Group secured Project No. #13 with an estimated contract sum of approximately HK$388.0 million, involving a commercial development in Causeway Bay, from Hip Hing Group, details of which are set out in the paragraph headed "Projects on hand" below in this section. Project No. #13 represents the largest project obtained by us in terms of estimated contract sum during the Track Record Period. In September 2023, our Group had commenced preparation works for Project No. #13. Based on the expected work schedule of Project No. #13, our Directors anticipated that a substantial part of works under Project No. #13 will only be performed from the second quarter of 2024 onwards and we will incur a substantial amount of up-front costs for the payment for the requisite materials and subcontracting services for Project No. #13 from the second quarter of 2024.

Further, our Directors consider that we would likely be able to secure at least two tendered projects, namely Project No. T01 and T02, which are expected to commence in the second quarter of 2024. For further details on our tendered projects for which our executive Directors consider that we would likely be able to secure, please refer to the paragraph headed "Future plans and use of **[REDACTED]** – Use of **[REDACTED]**" in this document. In addition to Project No. T01 and T02 of which our executive Directors consider that we would likely be able to secure, as at the Latest Practicable Date, our Group had 49 submitted tenders (without taking into account Project No. T01 and T02), with an aggregate estimated tender amount of approximately HK$1.3 billion, which were still undergoing tender selection process and pending tender result.

Expanding our workforce

We mainly focused on the role of project management and supervision in carrying out our projects. Our project management team, comprising project manager, engineer, quantity surveyor and site foreman, is generally responsible for (i) formulating detailed work programmes; (ii) liaising with our production team on the structural steel products required; (iii) providing feedbacks to our customers on the design of structural steelwork in accordance with their needs and specifications; (iv) coordinating with our customers on the work schedule; (v) engaging, supervising and collaborating with our subcontractors for construction site works; (vi) supervision of work progress, budget and quality of services rendered; (vii) preparation of progress reports; (viii) participation in project meetings and communication with our customers on a continual basis; and (ix) ensuring the works performed fulfil our customers' requirements, and are completed on schedule, within budget and in compliance with all applicable statutory requirements.

As at the Latest Practicable Date, all of our project management staff had been deployed to our projects on hand. Our Directors consider that our current scale of project management staff may not be sufficient to meet the project management needs arising from the additional and more sizeable projects that we intend to undertake in the future. Should we undertake additional projects in the future, our existing project management staff may not be able to devote sufficient time and attention to properly supervise and manage the works undertaken by us and our subcontractors. By expanding our manpower resources, our executive Directors believe that we would have additional capacity to undertake more projects simultaneously while maintaining our project management efficiency and service quality.

Based on the aforesaid, our Directors consider that it is imperative for our Group to expand our project management team in order to enhance our project management capabilities along with the planned expansion in our business scale and operation. We currently plan to hire three additional project managers and one additional engineer after the **[REDACTED]** to cope with the expected growth in our business. For further details of our recruitment plan, please refer to the paragraph headed "Future plans and use of **[REDACTED]** – Use of **[REDACTED]**" in this document.

DESCRIPTION OF OUR SERVICES

We provide structural steelwork services as a subcontractor in Hong Kong. We provide tailored solutions to our customers comprising the supply, fabrication and installation of structural steel for construction projects in Hong Kong.

We operate two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our steelwork projects. We would assist our customers in preparing the design of structural steel conforming to their needs and specifications and fabricate the structural steel according to the design drawing approved by our customers.

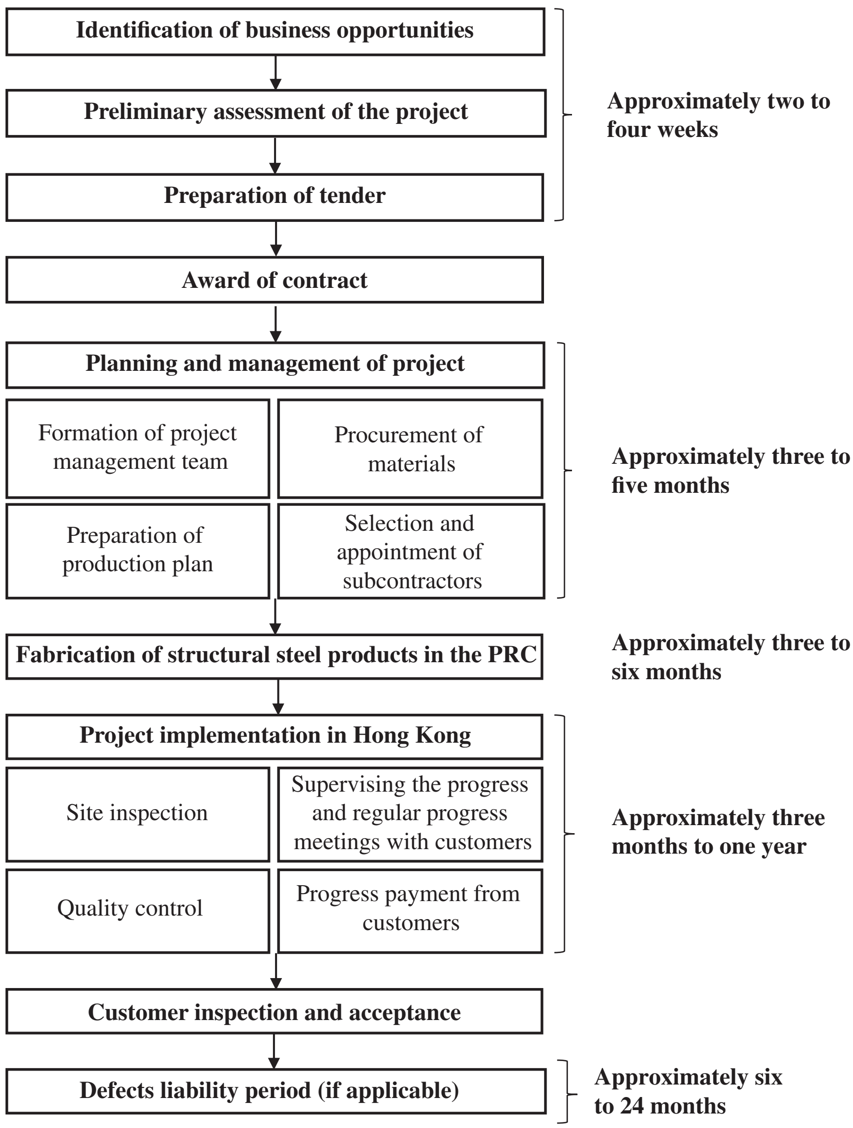
The construction site works covered under our projects typically involve installation, touch-up painting and fire protection works for our structural steel. We mainly focus on the role of project management and supervision in carrying out our projects. We have engaged subcontractors to perform a substantial part of the construction site works under our supervision, and to a much lesser extent, we have maintained and deployed our own labour to carry out some of the construction site works, where necessary. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) maintaining regular communication with our customers; (iv) monitoring the implementation of construction site works; (v) conducting site safety supervision and quality control; and (vi) developing detailed work schedule and work allocation plan.

The following image illustrates the process of our structural steel installation works:

BUSINESS OPERATIONS

Operation flow

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



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

Identification of business opportunities

We identify potential projects mainly through invitation for tender from customers. Our Group has from time to time received invitations to submit tender from construction contractors in Hong Kong. Sometimes our customers would seek pre-bid quotation from our Group before they submit their tenders for the main contract. If these customers are subsequently awarded with the project, they would generally engage us to perform the structural steelwork involved in such project. Please refer to the paragraph headed "Sales and marketing" below in this section for further details.

Preliminary assessment of the project

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

In general, we would review and evaluate the tender documents and/or project details available to us to assess the scope of services, our capability, the expected complexity, our production capacity of structural steel, the available space at our production facilities for the fabrication process and storage of materials, our available financial and human resources and feasibility and profitability of the project to determine whether we should proceed with the preparation of tender.

Preparation of tender

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

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

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

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

Award of contract

Our customers generally confirm our engagement by issuing a letter of award or entering into a formal contract with us. During the Track Record Period, our contracts with customers are generally on re-measurement basis. Our service contract generally specifies an estimated contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to our customer's instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done.

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

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

	FY2020	**FY2021**	**FY2022**	**Nine months ended 30 September 2023**
Number of projects for which we have submitted tenders	66	90	79	52
Number of projects awarded	11	8	8	6
Average tender value in respect of tenders submitted *(HK$'000)*	13,545	16,053	28,509	41,281
Success rate (%) *(Note 1)*	16.7	8.9	10.1	11.5 *(Note 2)*

Notes:

1. Success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.

2. Out of the 52 projects tendered during the nine months ended 30 September 2023, the tender results of 44 projects were still pending as at the Latest Practicable Date.

We recorded a relatively higher tender success rate of approximately 16.7% for FY2020 as compared to approximately 8.9% and 10.1% for FY2021 and FY2022, respectively, mainly because we were awarded with a higher number of smaller scale projects in FY2020 as compared to FY2021 and FY2022. Out of the 11 projects awarded in respect of tenders submitted in FY2020, seven projects had an estimated contract sum below HK$10.0 million; whereas out of the eight and eight projects awarded in respect of tenders submitted in FY2021 and FY2022, only four and four projects had an estimated contract sum below HK$10.0 million, respectively.

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

Alternatively, on occasions when our production capacity of structural steel is close to being fully occupied, our Group may also refrain from responding to certain tender invitations and/or pursuing new projects during the tender selection process.

As advised by F&S, the tender success rate of the structural steelwork industry in Hong Kong generally ranges from 5% to 20% which varies depending on various factors, including market competition, economic conditions, track record, pricing, technical and functional capabilities and negotiation with customers on contract terms. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we recorded a tender success rate of approximately 16.7%, 8.9%, 10.1% and 11.5%, respectively, which were generally in line with the industry range. Our Directors consider that our tender success rate for FY2021 and FY2022 lied within the lower range of the industry mainly because our Group had been awarded with larger scale projects with higher estimated contract sum during FY2021 and FY2022 as compared to FY2020 as aforementioned. Taking into consideration the needs to reserve our capacity for fulfilling the workload involved in these larger scale projects, our Group had on occasions adopted a more prudent approach in costs estimation by factoring a higher profit margin, possibly resulting in our tender price becoming less competitive, or we might simply refrain from submitting revised tender quotations to the relevant customer during the tender selection process, both of which might have affected our tender success rate for FY2021 and FY2022.

Planning and management of project

Upon being awarded with a new project, we will commence planning for the implementation and management of the project, which include (i) formation of project management team; (ii) preparation of production plan; (iii) procurement of materials; and (iv) selection and appointment of subcontractors.

Formation of project management team

We usually form a project management team which consists of project manager, engineer, quantity surveyor and site foreman. Our project management team is generally responsible for (i) formulating detailed work programmes; (ii) liaising with our production team on the structural steel products required; (iii) providing feedbacks to our customers on the design of structural steelwork in accordance with their needs and specifications; (iv) coordinating with our customers on the work schedule; (v) engaging, supervising and collaborating with our subcontractors for construction site works; (vi) supervision of work progress, budget and quality of services rendered; (vii) preparation of progress reports; (viii) participation in project meetings and communication with our customers on a continual basis; and (ix) ensuring the works performed fulfil our customers' requirements, and are completed on schedule, within budget and in compliance with all applicable statutory requirements. In general, we determine the manpower allocation to a project management team based on the timeline, scale and complexity of the projects as well as the existing workload of our staff.

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

- our project manager is responsible for supervising our overall workforce on multiple work sites, monitoring the work efficiency and performance of our subcontractors, communicating with our customers, subcontractors and other members of the project management team on the project status, allocation of resources in a project, preparing progress reports and reviewing site records;

- our engineer is responsible for assisting our site foreman in overseeing the engineering and technical aspects of the projects such as planning for the site operations and devising suitable methods and procedures;

- our quantity surveyor is responsible for performing cost estimation, determining, procuring and monitoring the quantity of materials required in the project, managing the project implementation costs and handling the payment applications to our customers; and

- our site foreman is responsible for supervising and monitoring work progress on site, supervising workmanship and quality and preparing site records setting out the works performed by our workers and subcontractors. In general, each site foreman is assigned and stationed at a particular project.

Depending on the complexity of the project, we may also engage external technical engineering consultant to assist with our technical submissions to customers on a case-by-case basis.

Preparation of production plan

The structural steel products used in each project are tailor-made according to the specifications and requirements of our customers. Our project management team will coordinate with our customers on the design of products and works, and obtain the approval for such design from our customers. Once the design of products is confirmed, our project management team will coordinate with our production team to prepare the production plan. The production plan generally includes the specifications of materials, production schedule and delivery time. On occasions, our customers may require us to perform galvanising works on the structural steel which requires specialised technical skills. To achieve optimisation in our production, we outsource all required galvanising works to our subcontractors in the PRC. Further, depending on our production capacity, we may also subcontract other parts of structural steel fabrication works to our subcontractors in the PRC.

Procurement of materials

We are generally responsible for the procurement of materials such as steel required in the projects. We typically purchase materials from our internal list of approved suppliers. After being awarded with a project, we will contact the suppliers from whom we have obtained pre-bid quotations during the tender phase, and may further negotiate on the pricing and contract terms with them. Depending on the scale of our purchase, our executive Directors will approve the purchase orders for the major supplies that will be used in the project. We did not engage in any hedging activities to minimise the risk of price fluctuation of materials.

Our Group would generally arrange for testing of the materials by external laboratory selected by the Hong Kong government or by us. We typically conduct inspection on the materials upon their delivery to our production facilities in the PRC. Our customers would also direct representatives to conduct inspection and endorse on the materials for identification and tracking purpose.

Selection and appointment of subcontractors of construction site works

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. Our Group maintains an approved list of subcontractors which is updated on a regular basis. We select our subcontractors based on their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation.

Fabrication of structural steel products in the PRC

After obtaining approval of the materials from our customers and/or the project owners, our Group would engage third party logistics service providers to deliver the materials from Hong Kong to our production facilities in the PRC for structural steel fabrication. We carry out in-house fabrication of structural steel with our own labour. Meanwhile, we engage our subcontractors in the PRC to perform galvanising works on the structural steel which requires specialised technical skills. Depending on our production capacity, we may also subcontract other parts of the structural steel fabrication works to our subcontractors in the PRC. For details, please refer to the paragraph headed "Production facilities and capacity – Fabrication process" below in this section. Our Group and our customers will conduct quality inspection throughout the fabrication process to monitor the quality of our products. We typically arrange for testing on the finished structural steel products by external laboratory selected by the Hong Kong government or by us and conduct internal inspection on the finished structural steel products prior to their delivery to the construction sites in Hong Kong. For details, please refer to the paragraph headed "Quality control" below in this section.

Project implementation in Hong Kong

Site inspection and quality control

Upon obtaining approval of the finished structural steel products from our customers, we would engage third party logistics service providers to deliver the finished products to the relevant construction sites in Hong Kong. Our foremen and our customers' representatives at the construction sites would conduct inspection on the finished products upon their arrival.

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision.

Our project management team holds regular meetings with our subcontractors and conducts regular inspection to ensure that we strictly adhere to the project schedule and specifications. In addition, we perform in-house quality inspection and project supervision throughout project implementation in accordance with our in-house quality management system. Our customers also conduct site inspection to monitor the quality of our works. For further information regarding our quality management system, please refer to the paragraph headed "Quality control" below in this section.

Supervising the progress and regular progress meetings with customers

Depending on our customers' requests, we are generally required to submit progress reports to our customers throughout project implementation. Our progress reports are prepared by the project management team which will report on the project status and any issue identified during project implementation. On occasions, our customers may adjust or revise our works schedule in order to accommodate the implementation of other construction works within the project site.

Progress payment from customers

We generally receive progress payments from our customers based on our works done throughout project implementation. For further details on the payment terms, please refer to the paragraph headed "Our customers – Principal terms of engagement" in this section. Occasionally, depending on (i) the scale of the project; and (ii) the costs we had to incur for the procurement of materials, we may negotiate with our customers, on a case-by-case basis, to allow us to submit payment application right after we made the procurement of materials, subject to customers' own discretion. Such arrangement serves to alleviate our liquidity pressure at the preliminary stage of projects.

Customer inspection and acceptance

Upon completion of our works, our customers will conduct inspection and examination on our works done to ensure they comply with their quality standards, requirements and specifications.

Defects liability period

If so requested by our customers, our contracts may include a defects liability period following the terms of the main contracts on back-to-back basis. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our negligence or failure to comply with our contractual obligation.

Retention monies

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

As at 31 December 2020, 2021, 2022 and 30 September 2023, our gross retention receivables amounted to approximately HK$50.5 million, HK$53.4 million, HK$55.9 million and HK$63.0 million, respectively. Please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities" in this document for further discussion and analysis regarding our retention receivables.

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by project sectors and the types of developments involved

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

Our public sector projects mainly involved infrastructure and public facilities as well as public residential developments. The customers of our public sector projects were generally main contractors engaged by different Hong Kong government departments, authorities and statutory bodies. Our private sector projects mainly involved private commercial, residential and industrial developments. The project owners of our private sector projects were generally property developers, and our customers were main contractors engaged under such projects. Based on enquiries with our major customers, save for certain mega-scale construction projects, our Group was generally engaged by our customers as a subcontractor exclusively for carrying out the structural steelwork involved in the projects that we participated in during the Track Record Period.

Set forth below are descriptions of the developments for which we performed structural steelwork during the Track Record Period:

Infrastructure and public facilities: mainly included infrastructure and public facilities developments such as bridges, postal centre, sports park, hospital, terminus station, and university buildings.

Residential: mainly included public housing development initiated by the Housing Authority and residential developments initiated by some of the leading private property developers in Hong Kong.

Commercial: mainly included commercial developments such as hotels and office buildings.

During the Track Record Period, the majority of our revenue was derived from structural steelwork for infrastructure and public facilities. The following table sets forth a breakdown of our revenue during the Track Record Period by reference to project sectors and the types of development involved:

	FY2020			FY2021			FY2022		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000	*%*		*HK$'000*	*%*		*HK$'000*	*%*
Public sector									
– Infrastructure and public facilities	17	117,650	36.2	10	142,717	62.4	18	273,912	81.4
– Residential	5	25,476	7.9	4	8,936	3.9	3	10,721	3.2
Sub-total	22	143,126	44.1	14	151,653	66.3	21	284,633	84.6
Private sector									
– Commercial	12	169,410	52.2	13	76,850	33.6	13	51,741	15.4
– Residential	2	560	0.2	3	237	0.1	1	10	negligible
– Industrial	2	11,196	3.5	1	36	negligible	–	–	–
Sub-total	16	181,166	55.9	17	77,123	33.7	14	51,751	15.4
Total	38	324,292	100.0	31	228,776	100.0	35	336,384	100.0

	For the nine months ended 30 September					
	2022			2023		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
		HK$'000	*%*		*HK$'000*	*%*
		(Unaudited)				
Public sector						
– Infrastructure and public facilities	16	202,523	80.5	19	191,720	81.5
– Residential	3	6,207	2.5	2	3,915	1.7
Sub-total	19	208,730	83.0	21	195,635	83.2
Private sector						
– Commercial	10	42,828	17.0	8	37,053	15.8
– Residential	1	3	negligible	1	2,350	1.0
– Industrial	–	–	–	–	–	–
Sub-total	11	42,831	17.0	9	39,403	16.8
Total	30	251,561	100.0	30	235,038	100.0

Reasons for the decrease in our revenue for FY2021

Our Group's revenue decreased by approximately 29.5% from approximately HK$324.3 million for FY2020 to approximately HK$228.8 million for FY2021, which was mainly attributable to:

(i) Project No. #01, being our top project for FY2020 involving a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020, and no revenue was derived from Project No. #01 for FY2021; and

(ii) the unexpected change to our works schedule of Project No. #02, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$380.2 million. Our Group secured Project No. #02 from Hip Hing Group in late 2019 and started generating revenue from Project No. #02 by October 2019. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised revenue of approximately HK$71.3 million, HK$69.5 million, HK$193.2 million and HK$40.9 million, from Project No. #02, respectively. According to the original project schedule, our contract works were supposed to commence in or around late 2019 and complete by mid-2021. In anticipation of the tight project schedule and scale of works under Project No. #02, our Group had started procuring materials and commenced part of the structural steel fabrication works shortly after we secured this project.

By mid-2020, we were informed that our works schedule of Project No. #02 would be revised primarily due to changes in design and drawings of structural steelwork by the project owner and that the substantial part of our construction site works would be rescheduled to 2021.

Being mindful of the revised project schedule of Project No. #02 and in light of the constraint in our available resources, during the second half of 2020, our executive Directors considered that it was vital to temporarily refrain from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02. Our Group also decided to reserve a substantial amount of our then available resources, including the capacity at our production facilities and manpower of our project management staff, for Project No. #02, taking into consideration (a) the substantial part of our construction site works under Project No. #02 would be rescheduled to 2021; (b) the sizeable scale and amount of works involved under such project; (c) the expected workloads for other ongoing projects; (d) the uncertainty arising from the COVID-19 outbreak and the associated risks of labour shortage and disruption to the transportation between Hong Kong and the PRC; and (e) the need to preserve our industry reputation and business relationship with Hip Hing Group via the satisfactory completion of Project No. #02, which is a landmark sports infrastructure development in Hong Kong.

Later in mid-2021, our Group was informed that the substantial part of our construction site works under Project No. #02 would be further rescheduled due to the late handover of the relevant work sites to us. While pending instruction from Hip Hing Group for proceeding with our construction site works, we had continued to perform fabrication works in 2021 to ensure we could meet the revised project schedule of Project No. #02. The fabricated items have occupied significant storage space at our production facilities, thereby reducing our production capacity for undertaking other projects in 2021.

Amid the repeated rescheduling of Project No. #02, during the second half of FY2021, we attempted to recoup the expected revenue which would otherwise be generated from Project No. #02 in the absence of such rescheduling. We did this by tendering for new projects that have relatively shorter duration and could readily commence in the near term. Despite our efforts, the revenue generated from the projects we obtained during the second half of 2021 was not sufficient to compensate for the decrease in our revenue due to the lower amount of works performed under Project No. #02. In addition, as mentioned above, during the second half of 2020, we had temporarily refrained from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02, resulting in lower amount of works performed by us in FY2021. After mid-2021, our Group did not receive any further notice in relation to the rescheduling of Project No. #02 and a substantial part of our construction site works were carried out in 2022 in accordance with the last revised schedule. Pursuant to the contract terms of the service agreement for Project No. #02, in the event our contract works under Project No. #02 was not completed within the original schedule due to reason(s) other than our default, our Group shall be entitled to apply in writing to Hip Hing Group for an extension to project duration and claim for any additional costs reasonably incurred by us arising from the delay. Based on (i) our negotiation with Hip Hing Group; and (ii) the aggregate payment certification certified by Hip Hing Group exceeds the original contract sum of this project, the Directors are of the view that our Group was able to claim for substantial part of the increase in costs incurred by us arising from the rescheduling of Project No. #02 to Hip Hing Group.

Reasons for our relatively lower gross profit margin for FY2021

Our Group recorded a relatively lower gross profit margin of approximately 15.5% for FY2021 as compared to approximately 17.0% and 19.9% for FY2020 and FY2022, respectively, which was mainly due to the unforeseen rescheduling of our construction site works for Project No. #02 in mid-2021 as aforementioned. Due to the unanticipated rescheduling of Project No. #02, a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity were rendered idle or not fully utilised during FY2021, resulting in certain direct labour costs, manufacturing overheads and project administrative costs incurred, which amounted to approximately HK$1.9 million during FY2021 (the "**Idle Cost**"). In accordance with the relevant accounting standard, as the Idle Cost did not contribute to our Group's progress in satisfying our performance obligations amid the rescheduling of Project No. #02, our Group did not recognise the corresponding revenue for the Idle Cost by the time they were incurred, and such Idle Cost was not allocated to Project No. #02 or any particular project undertaken by our Group, but were recognised as unallocated costs in our Group's cost of services for FY2021. As a result, the gross profit margin of Project No. #02 was not adversely affected by the Idle Cost. Nonetheless, since the Idle Cost had been recognised as unallocated cost of services of our Group for FY2021 and did not contribute the corresponding revenue to our Group for FY2021, our Group's overall gross profit margin for FY2021 was lower as compared to that of FY2020 and FY2022.

Our strategy on public and private sector projects

During the Track Record Period, we identified business opportunities mainly through invitation for tender from customers. As we undertake structural steelwork in the role of subcontractor, all of our revenue generated was derived from projects awarded by construction contractors during the Track Record Period. Therefore, to a significant extent, our tender exposure depends on the types of projects obtained by our construction contractor customers. Our Group has all along remained open to, and possesses substantial track record in undertaking both public sector and private sector projects. Based on our past experience, as far as structural steelwork is concerned, our executive Directors consider that there is no material difference in the expertise and know-how required for public sector and private sector projects. Our Group generally determines whether we should proceed with the preparation of tender based on, amongst others, the scope of services, our capability, the expected complexity, our production capacity of structural steel, the available space at our production facilities for the fabrication process and storage of materials, our available financial and human resources and feasibility and profitability of the project. As long as our capacity and available resources allow, our Group will endeavor to respond to tender invitations received from customers, with little regard to the sector that the relevant projects belong to. Therefore, the proportion of our revenue derived from private and public sector projects may vary from period to period, largely affected by the projects obtained and undertaken by our construction contractor customers at the relevant times, rather than caused by any change in our business focus or strategy.

Private sector projects contributed approximately 55.9%, 33.7%, 15.4% and 16.8% of our total revenue for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. Our Group recorded a relatively higher percentage of revenue contribution from private sector projects for FY2020 mainly because we performed a substantial amount of works for Project No. #01 in the same year. Project No. #01 involved a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 contributed revenue of approximately HK$120.7 million to our Group for FY2020, representing approximately 37.2% of our total revenue for the corresponding year. Project No. #01 was completed at the end of FY2020 and no revenue was generated therefrom since FY2021.

Number of projects by range of revenue recognised

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, there were 38, 31, 35 and 30 projects which contributed a total of approximately HK$324.3 million, HK$228.8 million, HK$336.4 million and HK$235.0 million to our revenue, respectively. Set out below is a breakdown of our projects based on their respective range of revenue recognised during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**
	No. of projects	*No. of projects*	*No. of projects*	*No. of projects*
Revenue recognised				
HK$50.0 million or above	2	1	1	–
HK$10.0 million to below HK$50.0 million	5	4	6	7
HK$1.0 million to below HK$10.0 million	12	13	11	13
Below HK$1.0 million	19	13	17	10
Total	38	31	35	30

Top projects undertaken during the Track Record Period

The following table sets out the details of our top five projects for each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 in terms of revenue contribution to our Group:

FY2020

Rank	Project No.	Customer (Note 1)	Contract sum (Note 2)	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year/period) FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		Estimated revenue recognised/ to be recognised after the Track Record Period (Note 4)
			HK$'000						*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
1	#01	Customer B	191,412	Private	Commercial	Hong Kong International Airport	Shopping centre	Commencement: June 2019 Completion: December 2020	120,694	37.2	–	–	–	–	–	–	–
2	#02	Hip Hing Group	380,174	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: October 2019 Completion: December 2023	71,343	22.0	69,506	30.4	193,249	57.4	40,854	17.4	3,235
3	#03	Hip Hing Group	26,484	Public	Residential	Fanling	Footbridge	Commencement: August 2019 Completion: May 2021	19,576	6.0	3,291	1.4	–	–	–	–	–
4	#04	Customer C	65,532	Public	Infrastructure and public facilities	Kowloon Bay	Government building	Commencement: November 2019 Completion: September 2022	17,326	5.3	44,533	19.5	3,646	1.1	–	–	–

Rank	Project No.	Customer (Note 1)	Contract sum (Note 2)	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year/period) FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		Estimated revenue recognised/ to be recognised after the Track Record Period (Note 4)
			HK$'000						*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*
5	#05	Customer Group D	18,448	Private	Commercial	Wong Chuk Hang	Office building	Commencement: September 2019 Completion: September 2021	13,702	4.2	192	0.1	–	–	–	–	–

Notes:

1. Please refer to the paragraph headed "Our customers – Top customers" in this section.

2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.

3. The expected completion date for our works in respect of a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

4. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.

FY2021

Rank	Project No.	Customer (Note 1)	Contract sum (Note 2)	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year/period) FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		Estimated revenue recognised/ to be recognised after the Track Record Period (Note 4)
			HK$'000						*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
1	#02	Hip Hing Group	380,174	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: October 2019 Completion: December 2023	71,343	22.0	69,506	30.4	193,249	57.4	40,854	17.4	3,235
2	#04	Customer C	65,532	Public	Infrastructure and public facilities	Kowloon Bay	Government building	Commencement: November 2019 Completion: September 2022	17,326	5.3	44,533	19.5	3,646	1.1	–	–	–
3	#06	Hip Hing Group	32,158	Private	Commercial	Kai Tak	Office building and shopping centre	Commencement: September 2020 Completion: May 2022	640	0.2	29,296	12.8	2,222	0.7	–	–	–
4	#07	Hip Hing Group	58,841	Private	Commercial	Quarry Bay	Footbridge	Commencement: July 2020 Completion: December 2023	10,119	3.1	20,382	8.9	18,804	5.6	5,604	2.4	3,932
5	#08	Hip Hing Group	20,532	Private	Commercial	Kai Tak	Footbridge	Commencement: March 2020 Completion: December 2022	9,045	2.8	10,251	4.5	1,236	0.4	–	–	–

Notes:

1. Please refer to the paragraph headed "Our customers – Top customers" in this section.

2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.

3. The expected completion date for our works in respect of a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

4. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.

FY2022

Rank	Project No.	Customer *(Note 1)*	Contract sum *(Note 2)*	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works *(Note 3)*	Revenue (percentage of total revenue recognised for the year/period)								Estimated revenue recognised/ to be recognised after the Track Record Period *(Note 4)*
									FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		
			HK$'000						*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
1	#02	Hip Hing Group	380,174	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: October 2019 Completion: December 2023	71,343	22.0	69,506	30.4	193,249	57.4	40,854	17.4	3,235
2	#09	Customer Group I	95,822	Public	Infrastructure and public facilities	Siu Ho Wan	Bridge	Commencement: July 2022 Completion: May 2024	–	–	–	–	30,934	9.2	32,092	13.7	32,796

Rank	Project No.	Customer (Note 1)	Contract sum (Note 2)	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year/period) FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		Estimated revenue recognised/ to be recognised after the Track Record Period (Note 4)
			HK$'000						HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000
3	#10	Customer F	30,072	Private	Commercial	Kai Tak	Plaza and passageway	Commencement: October 2021 Completion: December 2022	–	–	8,152	3.6	21,920	6.5	–	–	–
4	#07	Hip Hing Group	58,841	Private	Commercial	Quarry Bay	Footbridge	Commencement: July 2020 Completion: December 2023	10,119	3.1	20,382	8.9	18,804	5.6	5,604	2.4	3,932
5	#11	Zenith (PMS) Limited	69,100	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: July 2021 Completion: March 2024	–	–	428	0.2	11,228	3.3	34,323	14.6	23,121

Notes:

1. Please refer to the paragraph headed "Our customers – Top customers" in this section.

2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.

3. The expected completion date for our works in respect of a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

4. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.

Nine months ended 30 September 2023

Rank	Project No.	Customer (Note 1)	Contract sum (Note 2)	Project sector	Type of developments	Location of the project	Type of infrastructure/ building involved	Date of commencement and completion of our works (Note 3)	Revenue (percentage of total revenue recognised for the year/period) FY2020		FY2021		FY2022		For the nine months ended 30 September 2023		Estimated revenue recognised/ to be recognised after the Track Record Period (Note 4)
			HK$'000						HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000
1	#02	Hip Hing Group	380,174	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: October 2019 Completion: December 2023	71,343	22.0	69,506	30.4	193,249	57.4	40,854	17.4	3,235
2	#12	Hip Hing Group	84,060	Public	Infrastructure and public facilities	Tamar	Government building	Commencement: April 2023 Completion: September 2024	–	–	–	–	–	–	37,516	16.0	46,544
3	#11	Zenith (PMS) Limited	69,100	Public	Infrastructure and public facilities	Kai Tak	Sports stadium	Commencement: July 2021 Completion: March 2024	–	–	428	0.2	11,228	3.3	34,323	14.6	23,121
4	#09	Customer Group I	95,822	Public	Infrastructure and public facilities	Siu Ho Wan	Bridge	Commencement: July 2022 Completion: May 2024	–	–	–	–	30,934	9.2	32,092	13.7	32,796
5	#13	Hip Hing Group	388,000	Private	Commercial	Causeway Bay	Office building	Commencement: September 2023 Completion: December 2025	–	–	–	–	–	–	20,766	8.8	367,234

Notes:

1. Please refer to the paragraph headed "Our customers – Top customers" in this section.

2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.

3. The expected completion date for our works in respect of a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

4. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less revenue recognised.

Backlog

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

	FY2020	FY2021	FY2022	For the nine months ended 30 September 2023	From 1 October 2023 up to the Latest Practicable Date
Opening number of projects *(Note 1)*	43	33	39	28	21
Add: Number of new projects awarded to us *(Note 2)*	8	7	10	10	2
Less: Number of projects completed *(Note 3)*	(18)	(1)	(21)	(17)	(1)
Ending number of projects *(Note 4)*	33	39	28	21	22

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.

2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.

3. Number of projects completed means the number of projects which are practically regarded as completed.

4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

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

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**	**From 1 October 2023 up to the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening value of backlog as at the beginning of the relevant year/period	749,039	505,333	425,866	253,464	668,926
Add: Total value of original estimated contract sum of projects awarded and actual work orders received on re-measurement basis *(Note 1)*	66,081	118,450	108,049	621,552	41,259
Total value of variation orders	14,505	30,859	55,933	28,948	19,814
Less: Total revenue recognised during the relevant year/period	(324,292)	(228,776)	(336,384)	(235,038)	(155,514)
Ending value of backlog to be carried forward to next year/period *(Note 2)*	505,333	425,866	253,464	668,926	574,485

Notes:

1. Total value of original estimated contract sum of projects awarded means the original estimated contract sum of new projects awarded, or where applicable, the amount of actual work orders received by our Group on re-measurement basis.

2. Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.

As at 31 December 2020 and 2021, our Group recorded a relatively higher backlog value of approximately HK$505.3 million and HK$425.9 million, respectively, as compared to the backlog value of approximately HK$253.5 million as at 31 December 2022. Our Directors consider that such fluctuation was mainly attributable to:

(i) the rescheduling in our works schedule under Project No. #02. According to the original project schedule of Project No. #02, our contract works were supposed to complete by mid-2021, with the majority of our construction site works being scheduled to be performed between the period from late 2020 to early 2021.

By mid-2020, we were informed that our works schedule under Project No. #02 would be revised primarily due to changes in design and drawings of structural steelwork by the project owner and that the substantial part of our construction site works would be rescheduled to 2021. Subsequently, in mid-2021, our Group was informed that our construction site works would be further rescheduled due to the late handover of the relevant work sites to us.

Owing to the revision to the project schedule of Project No. #02, the majority of construction site works under Project No. #02 had not yet been performed during FY2020 and FY2021, resulting in a high amount of backlog value under Project No. #02 being carried forward to subsequent years, and thereby contributing to the relatively higher backlog value of our Group as at 31 December 2020 and 2021. For further details in relation to the revision to the project schedule of Project No. #02, please refer to the paragraph headed "Projects undertaken during the Track Record Period" in this section above; and

(ii) the backlog value of our projects subsequently decreased to approximately HK$253.5 million as at 31 December 2022, which was mainly because our Group performed a substantial amount of construction site works under Project No. #02 in FY2022 which generated revenue of approximately HK$193.2 million in the corresponding financial year, representing approximately 53.6% of the total contract sum of Project No. #02.

As at the Latest Practicable Date, our Group had a total of 22 projects on hand with an aggregate of approximately HK$574.5 million yet to be recognised as revenue.

PROJECTS ON HAND

As at the Latest Practicable Date, our Group had 22 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced). The following table sets out the details of our projects on hand as at the Latest Practicable Date with estimated revenue of over HK$5 million to be recognised after the Track Record Period:

Project No.	Location of the project	Customer	Project sector	Type of development	Type of infrastructure/ building involved	Contract sum (Note 1)	Date of commencement and completion of our works (Note 2)	Revenue recognised during the Track Record Period				Estimated revenue recognised/ to be recognised during		
								FY2020	FY2021	FY2022	Nine months ended 30 September 2023	Three months ended 31 December 2023	FY2024	FY2025
						HK$'000		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
#13	Causeway Bay	Hip Hing Group	Private	Commercial	Office building	388,000	Commencement: September 2023 Completion: December 2025	–	–	–	20,766	46,097	126,250	194,887
O01	Kai Tak	Customer Group E	Public	Infrastructure and public facilities	Hospital	62,754	Commencement: August 2023 Completion: June 2025	–	–	–	12,854	9,830	35,000	5,070
#12	Tamar	Hip Hing Group	Public	Infrastructure and public facilities	Government building	84,060	Commencement: April 2023 Completion: September 2024	–	–	–	37,516	22,426	24,118	–
O02	Central	Customer Group E	Private	Commercial	Footbridge	54,998	Commencement: September 2023 Completion: June 2025	–	–	–	8,764	5,591	29,630	11,013
O03	Tung Chung	A construction contractor	Public	Residential	Public housing estate	43,809	Commencement: November 2023 Completion: June 2025	–	–	–	–	10,234	24,250	9,325
#09	Siu Ho Wan	Customer Group I	Public	Infrastructure and public facilities	Bridge	95,822	Commencement: July 2022 Completion: May 2024	–	–	30,934	32,092	10,742	22,054	–
O04	Yau Ma Tei	Customer Group I	Public	Infrastructure and public facilities	Landscaped deck	29,702	Commencement: April 2022 Completion: December 2024	–	–	2,954	2,552	2,633	21,563	–
O05	Diamond Hill	Sun Fook Kong Construction Limited	Public	Infrastructure and public facilities	Bridge	38,246	Commencement: December 2022 Completion: November 2024	–	–	109	16,570	3,632	17,935	–
O06	Tamar	Hip Hing Group	Public	Infrastructure and public facilities	Government building	7,080	Commencement: September 2023 Completion: August 2024	–	–	–	16	1,615	5,449	–
O07	Kai Tak	Hip Hing Group	Public	Infrastructure and public facilities	Sports stadium	11,001	Commencement: November 2022 Completion: August 2024	–	–	820	3,262	-	6,919	–
O08	Tung Chung	A joint venture	Public	Infrastructure and public facilities	Train station	21,735	Commencement: May 2024 Completion: December 2025	–	–	–	–	–	10,868	10,867
O09	Stanley	A construction contractor	Public	Infrastructure and public facilities	Government building	19,524	Commencement: May 2024 Completion: December 2025	–	–	–	–	–	9,762	9,762
Other projects (Note 3)								81,463	90,932	236,965	94,212	22,628	19,848	–
							Total	81,463	90,932	271,782	228,604	135,428	353,646	240,924

Notes:

1. The contract sum shown in the above table represents the adjusted contract sum, taken into account actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.

2. The expected completion date for our works in respect of a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

3. Other projects represent our remaining 10 on-going projects as at the Latest Practicable Date.

OUR CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers mainly included construction contractors in Hong Kong, being the main contractors engaged by project owners. The number of customers with revenue contribution to our Group was 17, 17, 17 and nine for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. During the Track Record Period, all of our customers were located in Hong Kong and our revenue was denominated in Hong Kong dollars.

Principal terms of engagement

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

Scope of works

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

Duration

The contracts usually specify the commencement date and duration of the project implementation, typically ranging from six months to two years, subject to extension granted by the customers where necessary.

Contract sum

During the Track Record Period, our contracts with customers are generally on re-measurement basis. The contracts usually specify an estimated contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to our customer's instructions or orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual work done.

Payment terms and arrangement

Our Group generally submits a progress payment application to our customer on a monthly basis with reference to the amount of works completed. Upon receiving our payment application for progress payments, our customer will examine and certify our works done by issuing a payment certificate to us. Except for project at its preliminary stage or project finalising the final account, it generally takes 30 to 60 days for our customers to certify our works done. Upon receiving the payment certificate, we will then issue an invoice to our customer. The credit term granted by us to our customers generally ranges from 30 to 60 days from the issue of invoices and our customers generally approve and settle our invoices within credit period. Occasionally, depending on (i) the scale of the project; and (ii) the costs we had to incur for the procurement of materials, we may negotiate with our customers, on a case-by-case basis, to allow us to submit payment application right after we made the procurement of materials. Such arrangement serves to alleviate our liquidity pressure at the preliminary stage of projects.

Depending on the terms of engagement, our customers may directly settle the wages of the site workers deployed by our subcontractors and subsequently deduct such amounts in the relevant progress payments to us. According to the Industry Report, it is common for main contractors to directly settle the wages of the site workers deployed by subcontractors at subordinate levels. The amount paid by the main contractors under such arrangement will be subsequently deducted from the progress payment payable to the subcontractor directly engaged by them. The purpose of such arrangement is to offer better protection and ensure timely settlement of wages to the employees of the subcontractors at all levels.

Insurance

Our customers, being the main contractors of the projects, would normally take out contractors' all risk insurance and work injury compensation insurance covering their own liabilities as well as our liabilities.

Procurement of materials

We are generally responsible for the procurement of materials such as steel required in the projects. We typically purchase materials from our internal list of approved suppliers. On occasions, our customers may require us to procure materials with certain specifications or quality standards.

Defects liability period

If so requested by our customers, our contracts may include a defects liability period following the terms of the main contracts on back-to-back basis. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our negligence or failure to comply with our contractual obligation.

Retention monies

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

As at 31 December 2020, 2021, 2022 and 30 September 2023, our gross retention receivables amounted to approximately HK$50.5 million, HK$53.4 million, HK$55.9 million and HK$63.0 million, respectively. Please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Contract assets and contract liabilities" in this document for a further discussion and analysis regarding our retention receivables.

Variation orders

A variation order is usually placed by way of a purchase order by our customers describing the detailed works to be performed under such variation order. A variation order may vary the original scope of work. Our customers may request additional or alteration of works beyond the scope of the contract during project implementation. Where the works under the variation order are the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accords with that of the contract. If there are no equivalent or similar items under the contract for reference, we will further agree on the rates with our customers. During the Track Record Period, our customers generally requested additional or alteration of works by issuing additional work orders stating the scope of works to our Group. Therefore, the scope of works for variation orders performed by our Group are properly agreed and accepted by the relevant customers prior to performing such variation orders.

Performance guarantee

Depending on the contract terms, our customers may require us to provide performance guarantee in the amount of 10% of the original estimated contract sum. Such arrangement serves to secure our due and timely performance of work and compliance with the contract. If we fail to perform according to the requirements in the contract, our customer would be entitled to the guaranteed compensation for any monetary loss up to the amount of the performance guarantee. Our performance guarantee is generally discharged after the expiry of the defects liability period under the main contract. During the Track Record Period, we had not taken out any performance guarantee in favour of our customers.

Liquidated damages

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

Termination

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

Top customers

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the percentage of our total revenue attributable to our top customer for each year/period during the Track Record Period amounted to approximately 39.0%, 66.3%, 70.7% and 50.3% respectively, while the percentage of our total revenue attributable to our top five customers for each year/period during the Track Record Period combined amounted to approximately 91.5%, 94.6%, 93.8% and 97.8%, respectively. The following tables set forth the information of our top five customers for each year/period during the Track Record Period:

FY2020

Rank	**Customer**	**Year of commencement of business relationship**	**Typical credit terms and payment method**	**Revenue derived from the customer**	
				HK$'000	*%*
1	Hip Hing Group *(Note 1)*	Since 2010	49 days; by bank transfer	126,556	39.0
2	Customer B *(Note 2)*	Since 2018	30 days; by cheque	120,694	37.2
3	Customer C *(Note 3)*	Since 2013	30 days; by cheque	22,611	7.0
4	Customer Group D *(Note 4)*	Since 2019	45 days; by cheque	16,942	5.2
5	Customer Group E *(Note 5)*	Since 2014	30 days; by cheque	9,766	3.1
		Top five customers combined		296,569	91.5
		All other customers		27,723	8.5
		Total revenue		324,292	100.0

FY2021

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK$'000	*%*
1	Hip Hing Group *(Note 1)*	Since 2010	49 days; by bank transfer	151,593	66.3
2	Customer C *(Note 3)*	Since 2013	30 days; by cheque	45,640	19.9
3	Customer F *(Note 6)*	Since 2021	30 days; by cheque	8,152	3.6
4	Customer G *(Note 7)*	Since 2021	30 days; by cheque	5,528	2.4
5	Customer H *(Note 8)*	Since 2013	60 days; by cheque	5,443	2.4
		Top five customers combined		216,356	94.6
		All other customers		12,420	5.4
		Total revenue		228,776	100.0

FY2022

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK$'000	*%*
1	Hip Hing Group *(Note 1)*	Since 2010	49 days; by bank transfer	237,715	70.7
2	Customer Group I *(Note 9)*	Since 2016	35 days; by cheque	33,888	10.1
3	Customer F *(Note 6)*	Since 2021	30 days; by cheque	21,920	6.5
4	Zenith (PMS) Limited *(Note 10)*	Since 2021	30 days; by cheque	11,228	3.3
5	Sun Fook Kong Construction Limited *(Note 11)*	Since 2018	45 days; by cheque	10,807	3.2
		Top five customers combined		315,558	93.8
		All other customers		20,826	6.2
		Total revenue		336,384	100.0

Nine months ended 30 September 2023

Rank	Customer	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
				HK$'000	*%*
1	Hip Hing Group *(Note 1)*	Since 2010	49 days; by bank transfer	118,347	50.3
2	Customer Group I *(Note 9)*	Since 2016	35 days; by cheque	35,948	15.3
3	Zenith (PMS) Limited *(Note 10)*	Since 2021	30 days; by cheque	34,323	14.6
4	Customer Group E *(Note 5)*	Since 2014	30 days; by cheque	21,618	9.2
5	Sun Fook Kong Construction Limited *(Note 11)*	Since 2018	45 days; by cheque	19,632	8.4
		Top five customers combined		229,868	97.8
		All other customers		5,170	2.2
		Total revenue		235,038	100.0

Notes:

1. Hip Hing Group consists of subsidiaries of NWS Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 659) which is principally engaged in road and construction businesses in Hong Kong and the PRC. Based on the latest annual report of NWS Holdings Limited, its revenue amounted to over HK$45.2 billion for the year ended 30 June 2023. NWS Holdings Limited is in turn owned as to 61% by New World Development Company Limited, a leading property developer listed on the Main Board of the Stock Exchange (stock code: 0017) which is principally engaged in property development and investment in Hong Kong with annual revenue amounting to over HK$95.2 billion for the year ended 30 June 2023, according to its latest annual report.

2. Customer B is a construction contractor company in Hong Kong. According to publicly available information, Customer B is a private limited liability company incorporated in Hong Kong in 1993.

3. Customer C is a construction contractor company in Hong Kong. According to publicly available information, Customer C is a private limited liability company incorporated in Hong Kong in 2003.

4. Customer Group D consists of subsidiaries of a company listed on the Main Board of the Stock Exchange (the **"Customer Group D Holdco"**) which is principally engaged in, amongst others, construction and engineering, property investment and property development and operations worldwide. Based on the latest annual report of Customer Group D Holdco, its revenue amounted to over HK$7.1 billion for the year ended 31 March 2023.

5. Customer Group E consists of subsidiaries of a company listed on the Main Board of the Stock Exchange (the **"Customer Group E Holdco"**) which is principally engaged in construction business in Hong Kong and Macau and infrastructure investment in the PRC. Based on the latest annual report of Customer Group E Holdco, its revenue amounted to over HK$102.0 billion for the year ended 31 December 2022.

6. Customer F is a construction contractor company in Hong Kong. According to publicly available information, Customer F is a private limited liability company incorporated in Hong Kong in 2018.

7. Customer G is a construction contractor company in Hong Kong. According to publicly available information, Customer G is a private limited liability company incorporated in Hong Kong in 2014.

8. Customer H is a construction contractor company in Hong Kong, being a subsidiary of a company listed on the Frankfurt Stock Exchange (the **"Customer H Holdco"**) which is an engineering-led global infrastructure group specialising in activities in development, financing, construction and operations. Based on the latest annual report of Customer H Holdco, its revenue amounted to over EUR26.2 billion for the year ended 31 December 2022.

9. Customer Group I consists of subsidiaries of a company listed on the Main Board of the Stock Exchange (the **"Customer Group I Holdco"**) which is principally engaged in construction works in Hong Kong. Based on the latest annual report of Customer Group I Holdco, its revenue amounted to over HK$12.4 billion for the year ended 31 December 2022.

10. Zenith (PMS) Limited is a façade engineering contractor company in Hong Kong. According to publicly available information, Zenith (PMS) Limited is a private limited liability company incorporated in Hong Kong in 2011.

11. Sun Fook Kong Construction Limited is a construction contractor company in Hong Kong, being a subsidiary of SFK Construction Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1447) which is principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau. Based on the latest annual report of SFK Construction Holdings Limited, its revenue amounted to over HK$3.7 billion for the year ended 31 December 2022.

None of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five customers of our Group for each year/period during the Track Record Period.

Customer concentration

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the percentage of our total revenue attributable to our top customer for each year/period during the Track Record Period amounted to approximately 39.0%, 66.3%, 70.7% and 50.3%, respectively. The percentage of our total revenue attributable to our top five customers for each year/period during the Track Record Period combined amounted to approximately 91.5%, 94.6%, 93.8% and 97.8%, respectively, for the corresponding year/period. In particular, a significant portion of our revenue during the Track Record Period was derived from Hip Hing Group. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, Hip Hing Group contributed revenue of approximately HK$126.6 million, HK$151.6 million, HK$237.7 million and HK$118.3 million to our Group, respectively, which accounted for approximately 39.0%, 66.3%, 70.7% and 50.3% of our total revenue for the relevant years/period, respectively. Our Directors consider that our Group's business model is sustainable despite such customer concentration due to the following factors:

Industry landscape

- according to the Industry Report, the construction works in the public sector in Hong Kong is dominated by a limited number of main contractors. Our major customers, including Hip Hing Group, Customer Group D, Customer Group E, Customer Group I and Sun Fook Kong Construction Limited, had accounted for approximately 25.4% of the public sector construction contracts awarded by the Hong Kong government, in terms of contract sum, during the years from 2020 to 2022. Given the landscape of the public sector construction works industry in Hong Kong, it is common for a structural steelwork contractor, especially which is specialised in undertaking public sector projects, to rely on such main contractors and such customer concentration is not uncommon in the structural steelwork industry.

- according to the Industry Report, customer concentration is an industry norm in the structural steelwork industry in Hong Kong. Customers generally prefer to engage structural steelwork contractors which can provide tailored solutions comprising the supply, fabrication and installation of structural steel with industry reputation, technical expertise, proven track record and sound financial capability. As part of the tender conditions and to ensure quality assurance, main contractors would generally select structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works to carry out the structural steelwork in a construction project. As at the Latest Practicable Date, there were in total 50 structural steelwork contractors registered on the List of Approved Specialist Contractors for Public Works and our customers would generally select their structural steelwork subcontractor among the list. The demands for structural steelwork in Hong Kong are largely driven by construction works arising from infrastructure and property developments initiated by the Government and private property developers. The availability of these developments are generally limited by the Government's policies and planning as well as the prevailing economic conditions. Amid the stable growth in the market size of structural steelwork and increasing adoption of structural steel for construction in Hong Kong, a substantial amount of contract values of structural steelwork remain to be concentrated with, and contributed by those sizeable infrastructure and property developments being implemented at the relevant times. According to the Industry Report, a sizeable structural steelwork project would normally have a contract sum of HK$100 million or above. To ensure such large-scale structural steelwork projects could be completed on time and within budget, main contractors would generally prefer to engage the established market players in the structural steelwork industry who possess the requisite expertise, experience and resources to handle such projects reliably. According to the Industry Report, the top five structural steelwork contractors in Hong Kong had an estimated revenue ranging from approximately HK$200 million to HK$475.5 million for the year of 2022. As such, where a structural steelwork contractor obtains any sizeable projects with contract sum of HK$100 million or above, such projects would likely contribute a significant portion of its revenue in the forthcoming years. Given the fragmented nature of the structural steelwork industry in Hong Kong as well as the business scale of the existing top market players, those structural steelwork contractors who are able to participate in one or more of the sizeable developments would inevitably end up being heavily reliant on the relevant main contractors and hence this may result in customer concentration for such structural steelwork contractor in the relevant periods.

Established relationship with major customers

- as at the Latest Practicable Date, our Group has established business relationship with our major customers including those referred to in the paragraph headed "Our customers – Top customers" above in this section ranging from two years to 13 years. Therefore, we will endeavour to accommodate their demand for our services to the extent our resources allow instead of turning down their requests, resulting in them being our top customers.

- we undertake projects of considerably different scales. If we undertake a project with large contract sum, it may contribute a substantial amount to our revenue in a particular period, resulting in the relevant customer becoming one of our top customers in terms of revenue contribution to us.

- a number of our major customers, including Hip Hing Group, Customer Group D, Customer Group E, Customer H, Customer Group I and Sun Fook Kong Construction Limited, are subsidiaries of companies listed on the Stock Exchange. Our Directors consider that group members of listed companies generally have better performance in terms of credit ratings and financial resources, as compared to private-owned entities.

Mutual and complementary reliance with major customers

- our Group has established business relationship with Hip Hing Group since 2010. Hip Hing Group consists of subsidiaries of NWS Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 659) which is principally engaged in road and construction businesses in Hong Kong and the PRC. Based on the latest annual report of NWS Holdings Limited, its revenue amounted to over HK$45.2 billion for the year ended 30 June 2023. NWS Holdings Limited is in turn owned as to 61% by New World Development Company Limited, a leading property developer listed on the Main Board of the Stock Exchange (stock code: 0017) which is principally engaged in property development and investment in Hong Kong with annual revenue amounting to over HK$95.2 billion for the year ended 30 June 2023 according to its latest annual report. Taking into consideration the sizeable scale and strong financial standing of Hip Hing Group, our Directors believe that Hip Hing Group would have regular and sizeable demand for our structural steelwork services.

  During our long-term business relationship with Hip Hing Group, we have endeavored to accommodate their demand for our services to the extent our resources allow, resulting in them being our top customer. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, Hip Hing Group contributed revenue of approximately HK$126.6 million, HK$151.6 million, HK$237.7 million and HK$118.3 million to our Group, respectively, which accounted for approximately 39.0%, 66.3%, 70.7% and 50.3% of our total revenue for the relevant years/period.

Hip Hing Group has indicated that an approved list of subcontractors for structural steel works is maintained by them and our Group is included on the list. Hip Hing Group confirmed that it generally evaluates its subcontractors based on various factors including but not limited to pricing, safety record and quality of services. Our Group is subject to evaluation by Hip Hing Group annually and on project basis. Our Directors consider that our admission as an approved structural steelwork subcontractor of Hip Hing Group and the fact that Hip Hing Group continues to invite us for tender and engage us as a structural steelwork subcontractor in its projects is a recognition of our ability in providing quality services which conform with the quality standards, requirements and specifications of Hip Hing Group.

Besides, Hip Hing Group indicated that our Group is one of its major subcontractors for structural steel works in terms of the percentage of subcontracting fees incurred. We believe that Hip Hing Group regards us as its preferred business partner and the long-standing relationships with us is attributable to its confidence in our ability to consistently deliver quality services and fulfil their technical specifications over the years of business cooperation. As confirmed by Hip Hing Group, (i) there has not been any material disputes, claims or litigations between our Group and Hip Hing Group; (ii) there has not been any instance where our Group was unable to meet the quality requirements stipulated by Hip Hing Group; (iii) Hip Hing Group is generally satisfied with our Group's services; and (iv) Hip Hing Group is willing to continue engaging our Group as its structural steelwork subcontractor when suitable opportunity arises. Based on the aforementioned, our Directors consider that the likelihood of our business relationship with Hip Hing Group being materially or adversely changed or terminated is relatively low. Further, our Directors consider that our long-term track record with Hip Hing Group were accumulated from years of co-operations in various scale and types of projects, which could not be easily replicated by our competitors. As such, our Directors believe that we are well-positioned to continue pursuing sizeable projects from Hip Hing Group. In respect of our 22 projects on hand as at the Latest Practicable Date, a total of nine projects with total estimated contract sum of approximately HK$943.3 million in aggregate were attributable to Hip Hing Group.

- our executive Directors believe that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other because our major customers could benefit from our proven track record as a quality subcontractor in the provision of structural steelwork to ensure their projects are executed on time, within budget and in accordance with their quality standards. Our provision of quality structural steelwork also enabled our major customers to fulfil their responsibilities under the contractual relationships with their customers. The extensive experience of our project management and supervision staff have also enabled us to assist our customers in project management and site supervision, and build reliable relationship and trust among our customers, their respective customers and us.

Tender exposure via different main contractors

- other than our existing customers, our Group also received tender invitations from other potential customers during the Track Record Period. There were occasions where we received tender invitation in respect of the same structural steelwork project from more than one of our customers/potential customers. This usually occurs when a project owner invites different main contractors to submit tender for a construction project, and more than one of these main contractors may have invited us to submit quotations for undertaking the structural steelwork involved in such projects so as to facilitate their budgeting and/or tender submission to the project owner. In case the main contractors to which we had submitted quotations successfully obtained the construction projects, they would tend to award the structural steelwork to us. In such circumstances, even if any one of our customers fails to obtain the construction project from the project owner, we may still have the chance to obtain the structural steelwork involved via our tenders to other main contractors.

- leveraging our track record, skills and experience in undertaking projects in both public and private sectors involving different types of construction development including infrastructure and public facilities, residential, commercial and industrial developments, our executive Directors consider that we are well-positioned to capture business opportunities arising from any future construction developments in Hong Kong. In particular, our Directors believe that our track record in delivering quality structural steelwork services for sizeable construction contractors, especially group companies of leading property developers in Hong Kong, such as Hip Hing Group and Customer Group E, has resulted in positive effects to our industry reputation and increased our market exposure in the Hong Kong structural steelwork industry which would be considered favourably by our potential customers. Our Directors consider that our ability in delivering structural steelwork services which fulfil the stringent quality and technical requirements of various sizeable construction contractors, is a recognition of our service quality, technical know-how, industry knowledge and experience which are transferrable by us to serving new potential customers. During the Track Record Period, our Group had secured new customers, including Customer F, Customer G and Zenith (PMS) Limited, each of which had commenced business relationship with us since 2021.

Top customers who were also our suppliers

When we undertake projects for our customers, there may be occasions where our customers procure materials and other services on our behalf and subsequently deduct such amounts in the relevant progress payments to us. Such arrangement is generally known as "contra-charge arrangement" and the amounts involved are referred to as "contra-charge". The procurement made by our customers on our behalf mainly included materials such as steel and services such as machinery services and subcontracting services. While the formal contracts with our customers generally do not impose specific condition or requirement on us to procure specific types of materials and/or services from them for the use in their projects, our customers may in practice supply certain materials and other services to us for the use in their projects at our costs.

According to the Industry Report, on some occasions, the main contractors may provide certain materials and/or services (such as machinery services and subcontracting services) to its subcontractors. The main contractor would subsequently deduct such amounts in the relevant payment certificates issued to the subcontractors. Based on the Industry Report, main contractors adopted the aforesaid arrangements mainly for the purpose of (i) improving cost effectiveness as main contractors could generally negotiate a more favourable pricing for placing bulk purchase order with suppliers; and (ii) facilitating procurement efficiency by centralising the procurement of materials used for performing different types of construction works under the same construction project. Meanwhile, on some occasions, in the structural steelwork industry, having regard to the schedule of projects and the availability of machinery, the main contractors may provide cranes to its subcontractors for lifting and transporting the structural steel products for ensuring timely completion of the projects.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred approximately HK$66.7 million, HK$6.1 million, HK$2.8 million and HK$22.1 million, respectively, for the procurement of materials and other services from our customers.

The following table sets forth the details of our transactions with top customers who supplied materials and services to us for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023:

	Types of goods/services procured by our Group	**FY2020**		**FY2021**		**FY2022**		**For the nine months ended 30 September 2023**	
		HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hip Hing Group									
Revenue derived and approximate % of our total revenue		126,556	39.0	151,593	66.3	237,715	70.7	118,347	50.3
Procurement amounts and approximate % of our total purchases	Steel, machinery services and subcontracting services	355	0.1	546	0.4	1,179	0.5	10,146	6.2
Gross profit/gross profit margin		20,289	16.0	25,660	16.9	47,983	20.2	22,705	19.2
Customer B									
Revenue derived and approximate % of our total revenue		120,694	37.2	–	–	–	–	–	–
Procurement amounts and approximate % of our total purchases	Steel and machinery services	64,961	26.8	–	–	–	–	–	–
Gross profit/gross profit margin		22,588	18.7	–	–	–	–	–	–
Customer C									
Revenue derived and approximate % of our total revenue		22,611	7.0	45,640	19.9	3,655	1.1	–	–

	Types of goods/services procured by our Group	FY2020		FY2021		FY2022		For the nine months ended 30 September 2023	
		HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Procurement amounts and approximate % of our total purchases	Machinery services and subcontracting services	242	0.1	–	–	14	negligible	–	–
Gross profit/gross profit margin		3,117	13.8	6,516	14.3	524	14.3	–	–
Customer Group D									
Revenue derived and approximate % of our total revenue		16,942	5.2	192	0.1	–	–	–	–
Procurement amounts and approximate % of our total purchases	Steel, machinery services and subcontracting services	574	0.2	41	negligible	–	–	–	–
Gross profit/gross profit margin		3,285	19.4	35	18.2	–	–	–	–
Customer Group E									
Revenue derived and approximate % of our total revenue		9,766	3.1	213	0.1	–	–	21,618	9.2
Procurement amounts and approximate % of our total purchases	Machinery services and subcontracting services	268	0.1	30	negligible	–	–	–	–
Gross profit/gross profit margin		2,064	21.1	34	16.0	–	–	4,036	18.7
Customer F									
Revenue derived and approximate % of our total revenue		–	–	8,152	3.6	21,920	6.5	–	–
Procurement amounts and approximate % of our total purchases	Machinery services	–	–	1,302	0.9	1,116	0.5	–	–
Gross profit/gross profit margin		–	–	1,356	16.6	3,646	16.6	–	–
Customer H									
Revenue derived and approximate % of our total revenue		7,672	2.4	5,443	2.4	9	negligible	–	–
Procurement amounts and approximate % of our total purchases	Machinery services and subcontracting services	93	negligible	4,212	2.8	–	–	–	–
Gross profit/gross profit margin		1,431	18.7	957	17.6	negligible	negligible	–	–
Sun Fook Kong Construction Limited									
Revenue derived and approximate % of our total revenue		–	–	616	0.3	10,807	3.2	19,632	8.4
Procurement amounts and approximate % of our total purchases	Steel	–	–	–	–	–	–	11,950	7.3
Gross profit/gross profit margin		–	–	152	24.7	2,648	24.5	3,070	15.6

Contra-charge arrangement with Customer B under Project No. #01

We incurred a relatively higher amount of contra-charge of approximately HK$66.7 million for FY2020 as compared to approximately HK$6.1 million, HK$2.8 million and HK$22.1 million for FY2021, FY2022 and the nine months ended 30 September 2023, respectively, mainly due to our contra-charge arrangement with Customer B under Project No. #01. Out of the contract-charge amount of approximately HK$66.7 million incurred by us in FY2020, approximately HK$65.0 million was attributable to the contra-charge arrangement with Customer B.

Project No. #01 was awarded to us by Customer B in January 2019 which involved a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million. Project No. #01 commenced in June 2019 and was completed in December 2020.

Based on the design and specification of steel provided by the project owner, our Group estimated the quantity of materials required under Project No. #01 and provided recommendations on the design drawings of structural steel. Customer B then procured the steel required for the use in Project No. #01 and subsequently deducted the amount they incurred therefrom in the relevant progress payment to us. Our contra-charge arrangement with Customer B under Project No. #01 was for the purposes of (i) facilitating procurement efficiency by centralising the procurement of steel used for performing different types of construction works by the subcontractors under the commercial development, including structural steelwork performed by our Group; and (ii) improving cost effectiveness as Customer B could negotiate a more favourable pricing for placing bulk purchase order with the supplier of steel, namely Sum Kee Metal Company Limited.

Sum Kee Metal Company Limited has been an approved supplier of our Group since 2009. In respect of Project No. #01, prior to Customer B's procurement of steel from Sum Kee Metal Company Limited for us, Sum Kee Metal Company Limited was required to satisfy our evaluation based on its pricing, quality of materials, timeliness of delivery and ability to comply with our requirements and specifications. Based on our requirements, Customer B then proceeded with the procurement from Sum Kee Metal Company Limited. The engagement of Sum Kee Metal Company Limited by Customer B for the supply of steel under Project No. #01 has given assurance to us in respect of the quality of steel materials supplied for Project No. #01 which adhered to our commitment to the provision of quality structural steelwork and maintaining our industry reputation. The pricing offered by Sum Kee Metal Company Limited to Customer B for the supply of steel was generally in line with that offered to our Group in other projects, hence the contra–charge arrangement with Customer B under Project No. #01 did not result in any material increase in procurement costs of steel or any material adverse effect to the profitability of Project No. #01 to our Group.

Contra-charge arrangement with Hip Hing Group

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group incurred contra-charge of approximately HK$0.4 million, HK$0.5 million, HK$1.2 million and HK$10.1 million to Hip Hing Group, respectively. Our Group incurred a relatively higher amount of contra-charge to Hip Hing Group during the nine months ended 30 September 2023, which was mainly attributable to the procurement of subcontracting services for the erection of scaffold and working platforms by Hip Hing Group on our behalf under Project No. #02 and #07.

We and our subcontractors are sometimes required to perform installation works at height on scaffold and working platforms at construction sites in Hong Kong. Depending on the contract terms and negotiation between our Group and our customers, subcontracting services for the erection of scaffold and working platforms may be (i) procured by us at our cost; (ii) provided by our customers at their costs; or (iii) procured by our customers for our use and such costs will be subsequently deducted in the relevant payment certificates issued to us.

According to the respective project schedule, we were required to perform certain installation works at height at the later stage of Project No. #02 and #07, respectively. In light of our needs to perform installation works at height, our Group had requested Hip Hing Group to procure subcontracting services for the erection of scaffold and working platforms on our behalf taking into consideration (i) Hip Hing Group had previously selected and engaged subcontractors for erecting scaffold and working platforms used for performing other types of construction works at the construction sites of Project No. #02 and #07; (ii) centralisation of the procurement of subcontracting services for the erection of scaffold and working platforms could facilitate procurement efficiency and standardisation as well as improve cost effectiveness as Hip Hing Group could negotiate a more favourable pricing for placing bulk purchase order for the subcontracting services; and (iii) both our Group and Hip Hing Group impose similar stringent safety and quality standards on the selection of subcontractors for the erection of scaffold and working platforms. In respect of Project No. #02 and #07, prior to the engagement of subcontractors for the erection of scaffold and working platforms by Hip Hing Group on our behalf, such subcontractors were required to satisfy our evaluation based on its pricing, work quality, timeliness of delivery and ability to comply with our requirements and specifications.

Contra-charge arrangement with Sun Fook Kong Construction Limited

During the nine months ended 30 September 2023, our Group incurred contra-charge of approximately HK$12.0 million to Sun Fook Kong Construction Limited, ("**Sun Fook Kong**") which was mainly attributable to the procurement of steel materials by Sun Fook Kong on our behalf under Project No. O05. Project No. O05 was awarded to us by Sun Fook Kong, which involved a public sector infrastructural development located in Diamond Hill with an estimated contract sum of approximately HK$38.2 million. Project No. O05 commenced in December 2022 and is expected to complete by November 2024.

Based on the design and specification of steel provided by Sun Fook Kong, our Group estimated the quantity of materials required under Project No. O05 and provided recommendations on the design drawings of structural steel. Sun Fook Kong then procured the steel required for the use in Project No. O05 and subsequently deducted the amount they incurred therefrom in the relevant progress payment to us. Our contra-charge arrangement with Sun Fook Kong under Project No. O05 was for the purposes of facilitating procurement efficiency and standardisation and improving cost effectiveness as Sun Fook Kong could negotiate a more favourable pricing for placing bulk purchase order with the supplier of steel, namely Supplier Group G.

Supplier Group G has been an approved supplier of our Group since 2009. In respect of Project No. O05, prior to the procurement of steel by Sun Fook Kong from Supplier Group G for us, Supplier Group G was required to satisfy our evaluation based on its pricing, quality of materials, timeliness of delivery and ability to comply with our requirements and specifications. Based on our requirements, Sun Fook Kong then proceeded with the procurement from Supplier Group G. The engagement of Supplier Group G by Sun Fook Kong for the supply of steel under Project No. O05 has given assurance to us in respect of the quality of steel materials supplied for Project No. O05 which adhered to our commitment to the provision of quality structural steelwork and maintaining our industry reputation. The pricing offered by Supplier Group G to Sun Fook Kong for the supply of steel was generally in line with that offered to our Group in other projects, hence the contra-charge arrangement with Sun Fook Kong under Project No. O05 did not result in any material increase in procurement costs of steel or any material adverse effect to the profitability of Project No. O05 to our Group.

PRICING STRATEGY

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

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

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the complexity of the project; (iii) the estimated number and types of machinery required; (iv) the price trend of the types of materials, manufacturing overheads in the PRC, subcontracting services and machinery services required; (v) our available production capacity of structural steel; (vi) the completion time requested by customers; and (vii) the availability of our labour and financial resources.

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

SALES AND MARKETING

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

Seasonality

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

PRODUCTION FACILITIES AND CAPACITY

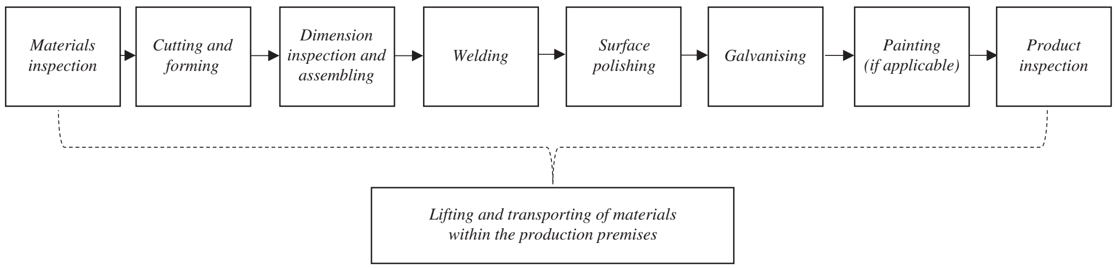
Wing Kei Dongguan, being our PRC operating subsidiary, operates two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our structural steelwork projects. Our Dapianmei Production Facility commenced operations back in 2000, and our Xinlong Production Facility subsequently came into operation in 2020 in light of the increasing needs of our structural steelwork projects. All of our structural steel production capacity is currently used to cater to our own project needs. We did not engage in any hedging activities to minimise the foreign exchange risk of our PRC operation.

Fabrication process

We are able to fabricate custom-made structural steel products based on our customers' requirements and specifications. The fabrication requirements and time required vary according to product shapes, specifications and size.

Structural steel fabrication is a space-intensive activity which involves significant areas for the storage, maneuver and processing of bulky metal items. The size, shape, density and specifications of steel required vary from project to project.

The following chart illustrates the major fabrication process of our structural steel products:



Except for materials inspection which is conducted by our Group and the representatives designated by our customers in both Hong Kong and the PRC, the fabrication process of our structural steel products is performed in the PRC. We carry out in-house fabrication of structural steel with our own labour. Meanwhile, we engage our subcontractors in the PRC to perform galvanising works on the structural steel which requires specialised technical skills. Depending on our production capacity, we may also subcontract other parts of the structural steel fabrication works to our subcontractors in the PRC.

Materials inspection

After obtaining approval of the materials from our customers and/or the project owners, our Group would engage third party logistics service providers to deliver the materials to our production facilities in the PRC for structural steel fabrication. Our production staff and representatives designated by our customers would conduct inspection on the materials upon their arrival at our production facilities in the PRC.

As a general practice, each batch of steel to be used in a project is bundled together and then physically endorsed with the signature of our customers' representatives for identification purpose. To avoid intermingling of the steel bundle earmarked for different projects, we generally place and store the steel bundle for each project under designated and separate area in our production facilities.

Despite the limitation of available storage space in our production facilities, we usually refrain from piling up steel bundles or articles of different specifications on each other as this may easily result in confusion over the segregation of materials for different projects, and excessive piling of materials may also hinder the operations of our gantry cranes as the materials may collide with the hanging objects as the lifting trolley moves along the rail tracks.

Cutting and forming

We will cut the steel materials into parts of predetermined sizes, shapes and lengths. The steel parts will then undergo the forming process, through which the parts will be trimmed, levelled, milled and/or bent into three-dimensional shapes which fit our customers' needs and specifications.

To ensure safe operation of cutting machine, we generally require our workers to maintain a distance of no less than three meters from each other as they carry out cutting.

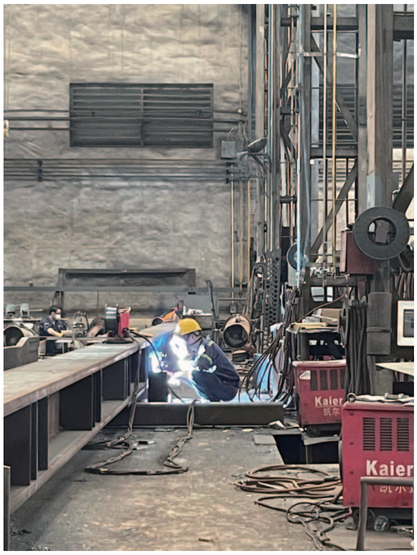
Dimension inspection and assembling

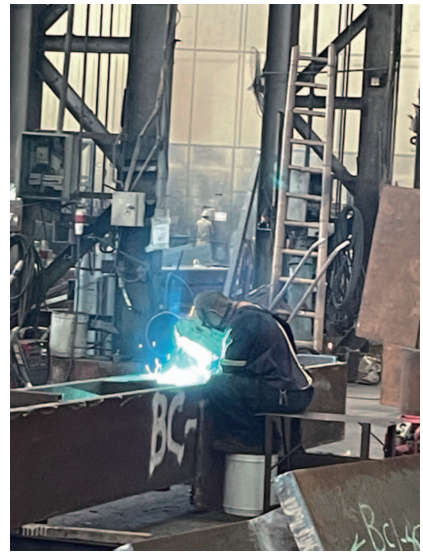
Upon inspection of the sizes, shapes, angles, weld joints, root gaps, groove angles and other relevant dimensions of the steel parts and other components, we will assemble the steel parts and components according to our customers' specifications.

Welding

Welding is a process of joining the steel parts and other components by heating. Through the welding process, the steel parts and other components are joined together to form the semi-finished products in accordance with our customers’ specifications. We will carry out inspection on the semi-finished products to confirm whether the welding process has been properly conducted. We will also appoint third party testing service providers to conduct weld testing in order to ensure the strength and quality of welds. Our customers may also direct their own representatives to inspect the semi-finished products so as to ensure that such products meet the required quality standards.

To ensure safe operation of welding machine, we generally require our workers to maintain a distance of no less than three meters from each other as they carry out welding.





Surface polishing

Our Group will then conduct surface polishing to remove the imperfections such as creases and scratches on the surface of the semi-finished products.

Galvanising

During the Track Record Period, we engaged our subcontractors in the PRC to conduct the galvanising process. For details, please refer to the paragraph headed "Our suppliers – Subcontractors of structural steel fabrication works" below in this section. During the galvanising process, the semi-finished products will be immersed in a bath of molten zinc so that a layer of zinc will form on the surface of the semi-finished products upon cooling which can protect the steel underneath from corrosion.

Painting (if applicable)

Depending on the requirements of the customers, a layer of painting may be applied to the semi-finished products to better protect the products from corrosion.

Product inspection

Upon completion of the fabrication process, our production staff will carry out quality inspection on the final products. Our Group's customers may also direct their own representatives to conduct inspection on the finished products. We strictly forbid piling of finished products on top of each other as this may create scratches and abrasions due to the size and weight of the objects.

Upon approval of the products by our Group and our customers, the final products will be packaged and wrapped by protective materials to prevent development of cracks, scratches and/or imperfection on the products. They will then be delivered to our project sites in Hong Kong.

Lifting and transporting of materials within the production premises

Due to the weight and size of the materials involved (e.g. steels plates etc.), it is inherently difficult to lift and transport the materials to different sections of the production premises with general lifting equipment. In view of this, gantry cranes were installed in each of our two production facilities for lifting and transporting bulky items within the production premises throughout the fabrication process. As we operate gantry cranes for lifting and transporting bulky items, we would have to allow adequate room for moving around the loads in a safe and unobstructed manner.

Production facilities

Our Dapianmei Production Facility has a gross floor area of approximately 7,000 sq.m. and our Xinlong Production Facility has a gross floor area of approximately 8,700 sq.m.. Both of our production facilities are located in Dongguan, the PRC.

Our Dapianmei Production Facility is mainly used for undertaking structural steel fabrication works; whereas our Xinlong Production Facility is used for undertaking structural steel fabrication works as well as storing a substantial portion of our materials and fabricated structural steel products.

Our principal machinery includes cranes, cutting machines, drilling machines, grinding machines and welding machines. Our machinery is well-equipped to be used for fabricating steel plates into different sizes and shapes. As at the Latest Practicable Date, the principal machinery that was owned and used by our Group at our production facilities is set out as follows:

Type of machinery	Principal functions	Number of units
 Crane	Cranes are mainly used for lifting and transporting bulky items	8
  Cutting machine	Cutting machines are mainly used for cutting the steel plates into predetermined sizes.	10
 Drilling machine	Drilling machines are mainly used for cutting holes on the steel plates.	7

Type of machinery	Principal functions	Number of units
 Grinding machine	Grinding machines are mainly used for removing imperfections on the surface of the semi-finished products.	9
 Welding machine	Welding machines are mainly used for joining the steel parts and other components by heating.	18

Utilisation rate

The table below sets forth the maximum production capacity, actual production volume and utilisation rate of our production facilities during the Track Record Period:

Dapianmei Production Facility *(Note 1)*

	FY2020	FY2021	FY2022	For the nine months ended 30 September 2023
Maximum production capacity *(tonnes)* *(Notes 2 and 3)*	4,400 *(Note 4)*	6,600	6,600	4,950
Actual production volume *(tonnes)*	4,259	5,287	5,663	4,265.6
Utilisation rate *(%)* *(Note 6)*	96.8	80.1	85.8	86.2

Xinlong Production Facility *(Note 1)*

	FY2020	FY2021	FY2022	For the nine months ended 30 September 2023
Maximum production capacity *(tonnes)* *(Notes 2 and 3)*	825 *(Note 5)*	3,300	3,300	2,475
Actual production volume *(tonnes)*	704	2,514	2,560	1,938.2
Utilisation rate *(%)* *(Note 6)*	85.3	76.2	77.6	78.3

Notes:

1. Our Dapianmei Production Facility is mainly used for undertaking structural steel fabrication works; whereas our Xinlong Production Facility is used for undertaking structural steel fabrication works as well as storing a substantial portion of our materials and fabricated structural steel products. As the available workspace at our Xinlong Production Facility is shared between the production and storage functions, the actual production volume of the facility has been affected by the volume and size of materials and finished products placed therein from time to time.

2. Maximum production capacity is determined and calculated by multiplying the daily capacity of the machine with the applicable number of days of operation and the number of machine during the year/period.

3. We assume the daily operating hours for our machinery to be eight hours, operating 300 days per year (except for FY2020), taking into account staff holidays and public holidays.

4. We assume that our Dapianmei Production Facility operated for eight months for FY2020, taking into account the suspension of operations of our Dapianmei Production Facility for approximately four months between January 2020 to April 2020 due to the outbreak of COVID-19, staff holidays and public holidays.

5. We had carried out a series of installation, testing and adjustment on our machinery before our Xinlong Production Facility came into full operation. Having been affected by the outbreak of COVID-19, the commencement of operations of our Xinlong Production Facility was delayed to October 2020. We assume that our Xinlong Production Facility operated for three months for FY2020.

6. Utilisation rate is calculated by dividing actual production volume by maximum production capacity for the relevant year/period.

Our Directors consider that the utilisation rates of our production facilities are affected by a number of factors including the volume of products required, technical requirements and specifications, status of repair and maintenance of our machinery and production schedule.

The utilisation rates of our production facilities experienced certain fluctuations during the Track Record Period, details of which are set forth as follows:

Relatively higher utilisation rates for FY2020

For FY2020, the Dapianmei Production Facility and the Xinlong Production Facility recorded utilisation rate of approximately 96.8% and 85.3%, respectively, which were relatively higher as compared to that for FY2021, FY2022 and the nine months ended 30 September 2023, respectively. The relatively higher utilisation rates of our production facilities for FY2020 was mainly attributable to:

(i) the suspension of our Dapianmei Production Facility for approximately four months between January to April 2020 in response to the lockdown measures imposed by the PRC Government during the first quarter of 2020 as a result of the emergence of the COVID-19 pandemic in the PRC in early 2020. Accordingly, the production capacity of the Dapianmei Production Facility during the lockdown period was not taken into account in the calculation of its maximum production capacity for FY2020. After the resumption of works at our Dapianmei Production Facility, our Group had used our best endeavour to increase our production volume through optimising our machinery usage and manpower deployment in order to keep pace with the original production schedule during the remaining period of FY2020, contributing to the relatively higher utilisation rate of our Dapianmei Production Facility in FY2020; and

(ii) our Xinlong Production Facility has commenced operations since October 2020. As aforementioned, our Xinlong Production Facility is used for undertaking structural steel fabrication works as well as storing a substantial portion of our materials and fabricated structural steel products. As the available workspace at our Xinlong Production Facility is shared between the production and storage functions, the actual production volume of our Xinlong Production Facility is affected by the volume and size of materials and finished products placed therein from time to time. Given the Xinlong Production Facility had only come into operations in October 2020, the space taken up for storage was relatively insignificant in FY2020. As we were then attempting to keep pace with the original production schedule amid the impact of lockdown earlier in 2020, we had allocated a relatively large portion of workspace at the Xinlong Production Facility for conducting fabrication works upon its commencement of operations, and hence contributing to the relatively higher utilisation rate of the Xinlong Production Facility in FY2020.

Decrease in utilisation rates for FY2021

The utilisation rate of the Dapianmei Production Facility decreased from approximately 96.8% in FY2020 to 80.1% in FY2021; whilst the utilisation rate of the Xinlong Production Facility decreased from approximately 85.3% in FY2020 to 76.2% in FY2021. The decrease in utilisation rates of our production facilities from FY2020 to FY2021 was mainly attributable to the unexpected rescheduling of Project No. #02 for which we had originally reserved a substantial portion of our then production capacity to support the structural steel fabrication works required under Project No. #02 in FY2021.

After we had been informed about the unexpected rescheduling of Project No. #02, during the remaining period of FY2021, we mainly focused on submitting tender for projects that have relatively shorter duration and could readily commence in the near term. Owing to the smaller scale of projects we obtained and commenced during the remaining period of FY2021, the amount of structural steel fabrication works required under such projects were not comparable to the structural steel fabrication works required under sizeable projects like Project No. #02, thereby resulting in the relatively lower utilisation rate of our production facilities in FY2021. For further details in relation to the rescheduling of Project No. #02, please refer to the paragraph headed "Projects undertaken during the Track Record Period" in this section above.

Slight increase in utilisation rates for FY2022

The utilisation rate of the Dapianmei Production Facility increased slightly from approximately 80.1% in FY2021 to 85.8% in FY2022; whilst the utilisation rate of the Xinlong Production Facility increased from approximately 76.2% in FY2021 to 77.6% in FY2022. The slight increase in utilisation rates of our production facilities from FY2021 to

FY2022 was mainly attributable to the increase in needs of fabricated structural steel products due to the increase in number of structural steelwork projects awarded to us from seven for FY2021 to 10 for FY2022. The increase in utilisation rates of our production facilities was limited by (i) the temporary loss of manpower for our structural steel fabrication and disruption to the operation of our production facilities between November to December 2022 due to the increase in number of COVID-19 infections among our PRC staff subsequent to the withdrawal of the "zero-COVID-19" policy in the PRC by late 2022; and (ii) in relation to our top project for FY2022, namely Project No. #02, the majority of structural steel fabrication works had already been completed at our production facilities in the PRC prior to FY2022, and a significant amount of works carried out during FY2022 for such project was in relation to the installation of fabricated structural steel at construction sites in Hong Kong.

Relatively stable utilisation rates for the nine months ended 30 September 2023

For the nine months ended 30 September 2023, the utilisation rates of the Dapianmei Production Facility and the Xinlong Production Facility remained relatively stable as compared to FY2022 at approximately 86.2% and 78.3%, respectively. According to the project schedule of Project No. #12, being one of our top five projects for the nine months ended 30 September 2023, a substantial amount of works performed by us was in relation to the procurement of materials, while the fabrication works will be performed at later stage.

In September 2023, our Group secured Project No. #13 with an estimated contract sum of approximately HK$388.0 million, involving a commercial development in Causeway Bay, from Hip Hing Group. Project No. #13 represents the largest project obtained by us in terms of estimated contract sum during the Track Record Period. In light of the sizeable scale of Project No. #13, our Group had commenced procuring materials in preparation of the fabrication works required under Project No. #13 shortly after we secured the project. According to the project schedule of Project No. #13, it is expected that we will commence the fabrication works thereunder since November 2023. Having considered the fabrication works for Project No. #12 and #13, it is expected that the utilisation rates of our production facilities will be relatively higher during the fourth quarter of 2023.

Repair and maintenance

We have implemented a maintenance system for our machinery, which includes regular inspection and regular repair and maintenance of machinery. This allows us to undertake our fabrication process at optimal levels. We carry out routine cleaning and maintenance of our machinery to enhance its useful life. We also conduct major annual maintenance work and engage external mechanicians to carry out repair and maintenance on our machinery on an as-needed basis. Our maintenance system aims to maintain operational efficiency and high-quality control standards. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred repair and maintenance expenses of approximately RMB104,000, RMB205,000, RMB241,000 and RMB71,000, respectively. We did not experience any material or prolonged interruptions to our fabrication process due to machinery failure or breakdown during the Track Record Period and up to the Latest Practicable Date.

Transfer Pricing Arrangement

During the Track Record Period, the principal functions of our Group, including sales and marketing, procurement of steel materials, installation of structural steel products and project management, were mainly carried out by Wing Kei Hong Kong; while the fabrication process of the structural steel products required in our projects was carried out by Wing Kei Dongguan, under our two production facilities located in Dongguan, the PRC. Under our business model, the principal functions and risks of our Group are undertaken by Wing Kei Hong Kong; whereas Wing Kei Dongguan only undertakes limited functions and risks in relation to its manufacturing role.

Wing Kei Hong Kong has entered into a processing arrangement with Wing Kei Dongguan, pursuant to which Wing Kei Hong Kong shall provide steel materials procured from third party suppliers to Wing Kei Dongguan for the fabrication of structural steel. During the Track Record Period, Wing Kei Hong Kong procured fabricated structural steel products solely from Wing Kei Dongguan. All the fabricated structural steel products processed by Wing Kei Dongguan are then transferred to Wing Kei Hong Kong on a cost plus basis, for onward use in our Group's structural steel projects in Hong Kong. There has been no material changes to the pricing basis for the sales and purchase transactions between Wing Kei Hong Kong and Wing Kei Dongguan throughout the Track Record Period and up to the Latest Practicable Date.

As illustrated above, the supply of structural steel fabrication services by Wing Kei Dongguan to Wing Kei Hong Kong was regarded as intra-group transactions (the "**Transfer Pricing Arrangements**"). Wing Kei Dongguan recorded net loss in FY2020 and FY2022 and such net loss position in FY2020 and FY2022 were mainly due to the impact of COVID-19 pandemic. Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC Government imposed lockdown measures in Dongguan, the PRC in the first quarter of 2020. During the lockdown period in Dongguan, transport was restricted, major roads and highways were closed and factories were ordered to suspend operations. In response to the requirements of the local government authorities, our Group's production facilities had been suspended from operations during the lockdown period, resulting in a temporary loss of structural steel production capacity and a significant decrease in revenue generated by Wing Kei Dongguan during FY2020. Meanwhile, Wing Kei Dongguan had to continue bearing certain fixed costs such as direct labour costs and manufacturing overheads during the lockdown period. As a result, Wing Kei Dongguan recorded a net loss in FY2020. Further, subsequent to the withdrawal of the "zero-COVID-19" policy by late 2022, a number of our staff and department heads based in the PRC experienced infection which resulted in temporary loss of manpower for our structural steel fabrication and temporary disruption to the operation of Wing Kei Dongguan between November to December 2022. Meanwhile, Wing Kei Dongguan had to continue bearing certain fixed costs such as direct labour costs and manufacturing overheads during the relevant period. As a result of the aforesaid, Wing Kei Dongguan recorded a net loss in FY2022. Our Group's business operations in the PRC had resumed to normal by early 2023.

In comparison, Wing Kei Hong Kong, being the sole customer of Wing Kei Dongguan, remained profitable in FY2020 and FY2022 mainly due to the following factors:

(i) Difference in functions and operating activities between Wing Kei Dongguan and Wing Kei Hong Kong

Wing Kei Dongguan primarily operates our Group's production facilities in the PRC and generates its revenue solely from the fabrication of structural steel products for Wing Kei Hong Kong. Hence, any material disruption to the operation of our Group's production facilities in the PRC would result in significant impact on the business operations and financial performance of Wing Kei Dongguan.

By comparison, Wing Kei Hong Kong generates revenue from contract works in Hong Kong and undertakes a wider spectrum of functions for our Group's operations, including sales and marketing, procurement of steel materials and/or services, installation of fabricated structural steel products and project management at project sites in Hong Kong.

(ii) Wing Kei Hong Kong did not experience material works suspension due to the outbreak of COVID-19 pandemic

During the Track Record Period and up to the Latest Practicable Date, Wing Kei Hong Kong did not experience material works suspension at its workplace or project sites in Hong Kong due to the outbreak of COVID-19 pandemic. While Wing Kei Hong Kong experienced temporary disruption to the transportation of materials from Hong Kong to the PRC and finished products from the PRC to Hong Kong during 2022 since cross-border transportation was significantly disrupted due to the fifth wave outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant, Wing Kei Hong Kong was generally able to pass on part of the increase in logistics costs incurred to its customers. Save as the aforesaid, Wing Kei Hong Kong did not experience material adverse impact on its business operations and financial performance attributable to the outbreak of COVID-19. For further details, please refer to the paragraph headed "Impact of the outbreak of COVID-19 on our operation – Our operations in Hong Kong" in this section.

Further, the temporary disruption to the operation and decrease in output of fabricated structural steel products of our Group's production facilities in the PRC during the first quarter of 2020 due to the lockdown measures imposed by the PRC Government and by late 2022 due to the increase in number of infection of our PRC staff subsequent to the withdrawal of the "zero-COVID-19" policy (collectively, the "**Temporary Disruptions**"), did not result in any material adverse impact on the business operations and financial performance of Wing Kei Hong Kong. This was because Wing Kei Hong Kong was able to continue with its installation works by using the fabricated structural steel products delivered by Wing Kei Dongguan prior to the respective disruption in operation of our Group's production facilities in the PRC. In particular, Wing Kei Hong Kong was informed by Hip Hing Group in 2020 that the works schedule of Project No. #02 would be revised to the effect that a substantial part of its construction site works would be performed in 2021. In preparation of the construction site works expected to be performed in 2021 under Project No. #02, Wing Kei Hong Kong had continued to procure steel materials in late 2020 and recognised revenue correspondingly in accordance with the relevant accounting standards.

(iii) Cost inefficiency of Wing Kei Dongguan attributable to the outbreak of COVID-19

During the two periods of Temporary Disruptions in 2020 and 2022 respectively, Wing Kei Dongguan recorded no or relatively low output of fabricated structural steel, thereby resulting in a significant decrease in revenue generated by Wing Kei Dongguan during the relevant periods in FY2020 and FY2022, respectively. During such periods, Wing Kei Dongguan had to continue bearing certain fixed costs such as direct labour costs and manufacturing overheads during the Temporary Disruptions, thereby adversely affected the profitability of and contributed to the net loss incurred by Wing Kei Dongguan in FY2020 and FY2022, respectively.

Transfer pricing study by independent tax adviser

We have engaged an independent tax adviser to conduct transfer pricing study concerning the Transfer Pricing Arrangements during the Track Record Period taking into account the applicable laws and regulations in respect of transfer pricing in Hong Kong and the PRC. According to the transfer pricing study, Wing Kei Dongguan is characterised as a limited-risk structural steel fabricator, having considered its business function, risk profile and asset profile. The key basis of the benchmarking study involved a comparison of the operating margin of Wing Kei Dongguan and the operating margin of the market comparables.

Based on the transactional net margin method and benchmarking analysis and having considered the operating nature of Wing Kei Dongguan for FY2020, FY2021 and FY2022, full cost mark-up ("**FCMU**") is considered to be the most appropriate profit level indicator and the result of the benchmarking analysis are as follows:

- for FY2022, the inter-quartile range of the three-year weighted average FCMU for the three-year period cycle ended FY2022 ranges between 2.07% and 4.29%, with a median of 3.62%. The adjusted FCMU of Wing Kei Dongguan is determined to be 3.65%, having adjusted the cost inefficiencies arising from the impact of the COVID-19 pandemic disruption, which falls within the inter-quartile range for the three-year period cycle ended FY2022;

- for FY2021, the inter-quartile range of the three-year weighted average FCMU for the three-year period cycle ended FY2021 ranges between 3.21% and 4.12%, with a median of 3.44%. The FCMU of Wing Kei Dongguan is determined to be 3.44%, which falls within the inter-quartile range for the three-year period cycle ended FY2021; and

- for FY2020, the inter-quartile range of the three-year weighted average FCMU for the three-year period cycle ended FY2020 ranges between 1.98% and 2.30%, with a median of 2.01%. The adjusted FCMU of Wing Kei Dongguan is determined to be 2.08%, having adjusted cost inefficiencies arising from the impact of the COVID-19 pandemic disruption, which falls within the inter-quartile range for the three-year period cycle ended FY2020.

Our executive Directors, after considering the analysis result and reviewing the transfer pricing study prepared by our independent tax adviser, are of the view that the Transfer Pricing Arrangements were carried out on an arm's length basis in a material respect and does not result in material reduction to Wing Kei Dongguan's taxable income in the PRC for the three years ended 31 December 2022.

As advised by the Hong Kong Legal Counsel, save as disclosed in the paragraph headed "Regulatory Overview – Hong Kong – Laws and Regulations in relation to Tax and Transfer Pricing" in this document, our Group is not subject to any applicable laws and regulations in Hong Kong in respect of transfer pricing. As advised by the PRC Legal Advisers, save as disclosed in the paragraph headed "Regulatory Overview – The PRC – Laws and Regulations in relation to Taxation – Tax on Related Party Transactions", our Group is not subject to any applicable laws and regulations in the PRC in respect of transfer pricing. Our executive Directors confirmed that our Group did not pay any tax subject to applicable laws and regulations in Hong Kong and the PRC in respect of transfer pricing during the Track Record Period.

OUR SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) suppliers of materials such as steel; (ii) subcontractors of construction site works; (iii) subcontractors of structural steel fabrication works; and (iv) suppliers of other miscellaneous services such as testing, machinery services, transportation and technical engineering services.

The following table sets forth a breakdown of our total purchase, which represents our cost of services excluding direct labour costs and depreciation, during the Track Record Period by type of goods and services provided by our suppliers:

							For the nine months ended 30 September			
	FY2020		FY2021		FY2022		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*Unaudited*)	*%*	*HK$'000*	*%*
Materials	150,560	62.1	62,266	41.9	73,708	32.1	48,694	28.2	85,938	52.5
Subcontracting of construction site works	71,005	29.3	48,919	32.9	91,606	39.8	72,941	42.3	57,190	34.9
Subcontracting of structural steel fabrication works	4,854	2.0	13,014	8.8	13,696	6.0	10,949	6.4	5,641	3.4
Miscellaneous services *(Note)*	16,169	6.6	24,403	16.4	50,922	22.1	39,787	23.1	15,123	9.2
Total	242,588	100.0	148,602	100.0	229,932	100.0	172,371	100.0	163,892	100.0

Note: These miscellaneous services mainly included testing, machinery services, transportation and technical engineering services.

Please refer to the paragraph headed "Financial information – Key factors affecting our results of operations and financial conditions – Fluctuation in our cost of services" in this document for a discussion of the fluctuation in our purchases from our suppliers and subcontractors during the Track Record Period as shown in the above table as well as the relevant sensitivity analysis in this connection. During the Track Record Period, save for the temporary disruption to the transportation between Hong Kong and the PRC during 2022 caused by the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant, we did not experience any material shortage in the supply of goods and services that we required.

We may obtain pre-bid quotations from our suppliers and/or subcontractors in making our cost estimation during the tender phase. We may negotiate on the pricing and contract terms with them after we are awarded with the projects. Our Directors consider that we are generally able to pass on the increase in purchase costs to our customers because we generally take into account our overall costs of providing our services to customers when determining our tender price.

Principal terms of engagement

Suppliers of materials

During the Track Record Period, our suppliers of materials were mainly located in Hong Kong and the PRC and our purchases were denominated in Hong Kong dollars and Renminbi. Steel is the major type of material sourced by us.

We purchase materials from our suppliers on an order-by-order basis. We have not committed to any minimum purchase amount with our suppliers of materials. Our purchase orders generally specify the unit price, volume, delivery date, product specifications and types of materials we required. The purchased materials are generally delivered to our production facilities in the PRC and the transportation costs are generally borne by us.

Upon delivery of the materials to our production facilities in the PRC, we typically arrange for testing on the materials by external laboratory selected by the Hong Kong government or by us. Any materials that fail to comply with the specifications or standards provided in the purchase order will be returned to the suppliers for replacement.

Subcontractors of construction site works

We engage our subcontractors of construction site works on a project-by-project basis. The construction site works undertaken by our subcontractors mainly include installation, touch-up painting and fire protection works for our fabricated structural steel. We have neither entered into long-term agreements nor committed to any minimum purchase amount with our subcontractors. The salient terms included in our subcontracting agreements are summarised as follows:

Scope of services

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

Subcontracting fees

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

Payment arrangements

Our subcontractors are required to submit progress payment application to us setting out the details of the completed work on a monthly basis. Depending on our engagement terms with subcontractors, we may withhold up to 10% of each payment made to our subcontractors as retention monies. Generally, the retention monies are partially released upon completion of the project, expiry of the defects liability periods or a pre-agreed time period.

As at 31 December 2020, 2021, 2022 and 30 September 2023, our retention payables to subcontractors amounted to approximately HK$3.0 million, HK$4.3 million, HK$7.2 million and HK$5.9 million, respectively. Please refer to the paragraph headed "Financial information – Discussion of selected statement of financial position items – Trade and retention payables" in this document for further details.

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

Termination and liquidated damages

Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We may be entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with our requirements. We may also be entitled to terminate the work order in the event of breach of contract by our subcontractor.

Subcontractors of structural steel fabrication works

On occasions, our customers may require us to perform galvanising works on the structural steel which requires specialised technical skills. To achieve optimisation in our production, we outsource all required galvanising works to our subcontractors in the PRC. Further, depending on our production capacity, we may also subcontract other parts of structural steel fabrication works to our subcontractors in the PRC.

We engage our subcontractors of structural steel fabrication works on a project-by-project basis. Our agreements with the subcontractors generally specify the price, scope of services and technical and quality standards required and delivery date. Depending on our negotiation with subcontractors of structural steel fabrication works, we may make prepayments to our subcontractors on a case-by-case basis. We have neither entered into long-term agreements nor committed to any minimum purchase amount with our subcontractors.

Suppliers of miscellaneous services

We also procure services from suppliers of miscellaneous services such as testing, machinery services, transportation and technical engineering services.

Our Group engages external laboratory selected by the Hong Kong government or by us to conduct testing of materials and engages third party testing service providers to conduct weld testing.

Our Group mainly relies on third party machinery services providers for the hiring of machinery to be used at construction sites such as cranes and lifting machines.

Our Group engages third party logistics service providers for (i) the delivery of materials from Hong Kong to our production facilities in the PRC; and (ii) the delivery of our finished structural steel products from our production facilities in the PRC to the relevant construction sites in Hong Kong. Depending on our negotiation with third party, we may make prepayments to the logistics service providers on a case-by-case basis.

Depending on the complexity of the project, we may also engage external technical engineering consultant to assist with our technical submissions to customers on a case-by-case basis. Our purchase orders generally specify the price, scope of services required and delivery date. We have neither entered into long-term agreements nor committed to any minimum purchase amount with our suppliers of miscellaneous services.

Top suppliers

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the percentage of our total purchases from our top supplier amounted to approximately 26.8%, 15.6%, 15.2% and 24.0% respectively, while the percentage of our total purchases from our top five suppliers combined amounted to approximately 73.2%, 46.4%, 56.0% and 63.7%, respectively. The following tables set forth the information of our top five suppliers for each year/period during the Track Record Period:

FY2020

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK$'000	*%*
1	Customer B *(Note 1)*	Mainly supply of steel and machinery services	Since 2018	N/A *(Note 1)*	64,961	26.8
2	Wo Lee Group *(Note 2)*	Mainly supply of steel	Since 2013	90 days; by cheque	59,211	24.4
3	Supplier B *(Note 3)*	Mainly subcontracting of construction site works	Since 2018	30 days; by cheque	29,110	12.0
4	Supplier C *(Note 4)*	Mainly subcontracting of construction site works	Since 2016	30 days; by cheque	15,031	6.2
5	Sum Kee Metal Company Limited *(Note 5)*	Mainly supply of steel	Since 2009	90 days; by cheque	9,344	3.8
			Top five suppliers combined		177,657	73.2
			All other suppliers		64,931	26.8
			Total purchases		242,588	100.0

FY2021

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK$'000	*%*
1	Wo Lee Group *(Note 2)*	Mainly supply of steel	Since 2013	90 days; by cheque	23,109	15.6
2	Wah Chong Engineering Company *(Note 6)*	Mainly subcontracting of construction site works	Since 2019	30 days; by bank transfer	18,263	12.3
3	Easy Smart Engineering Limited *(Note 7)*	Mainly subcontracting of fire protection works on fabricated structural steel	Since 2009	30 days; by cheque	14,756	9.9
4	Supplier Group G *(Note 8)*	Mainly supply of steel	Since 2009	45 days; by cheque	6,499	4.4
5	Kanson Crane & Heavy Transport Company Limited *(Note 9)*	Mainly supply of machinery services	Since 2016	30 days; by cheque	6,278	4.2
			Top five suppliers combined		68,905	46.4
			All other suppliers		79,697	53.6
			Total purchases		148,602	100.0

FY2022

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK$'000	*%*
1	Easy Smart Engineering Limited *(Note 7)*	Mainly subcontracting of fire protection works on fabricated structural steel	Since 2009	30 days; by cheque	34,887	15.2
2	Wah Chong Engineering Company *(Note 6)*	Mainly subcontracting of construction site works	Since 2019	30 days; by cheque	29,842	13.0
3	Wo Lee Group *(Note 2)*	Mainly supply of steel	Since 2013	90 days; by cheque	29,286	12.7
4	Kanson Crane & Heavy Transport Company Limited *(Note 9)*	Mainly supply of machinery services	Since 2016	30 days; by cheque	20,950	9.1
5	Supplier Group G *(Note 8)*	Mainly supply of steel	Since 2009	45 days; by cheque	13,844	6.0
			Top five suppliers combined		128,809	56.0
			All other suppliers		101,123	44.0
			Total purchases		229,932	100.0

Nine months ended 30 September 2023

Rank	Supplier	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
					HK$'000	*%*
1	Wo Lee Group *(Note 2)*	Mainly supply of steel	Since 2013	90 days; by cheque	39,324	24.0
2	Wah Chong Engineering Company *(Note 6)*	Mainly subcontracting of construction site works	Since 2019	30 days; by bank transfer	22,532	13.7
3	Supplier Group G *(Note 8)*	Mainly supply of steel	Since 2009	45 days or payment on delivery; by cheque and bank transfer	20,414	12.5
4	Sun Fook Kong Construction Limited *(Note 1)*	Mainly steel	Since 2018	N/A *(Note 1)*	11,950	7.3
5	Hip Hing Group *(Note 1)*	Mainly steel, machinery services and subcontracting of construction site works	Since 2010	N/A *(Note 1)*	10,146	6.2
			Top five suppliers combined		104,366	63.7
			All other suppliers		59,526	36.3
			Total purchases		163,892	100.0

Notes:

1. Hip Hing Group, Customer B and Sun Fook Kong Construction Limited were also our top customers during the Track Record Period. The amount of our purchase of materials and/or services from them was directly deducted from the relevant progress payments issued to us. For further details, please refer to the paragraphs headed "Our customers – Top customers" and "Our customers – Top customers who were also our suppliers" above in this section.

2. Wo Lee Group consists of (i) Wo Lee Steel Company Limited, a private limited liability company incorporated in Hong Kong in 1962 principally engaged in the supply of steel products; and (ii) Qianhai Helida (Shenzhen) Supply Chain Management Company Limited* (前海和利達(深圳)供應鏈管理有限公司), a private limited liability company established in the PRC in 2015 principally engaged in the provision of supply chain management and related services.

3. Supplier B is a sole proprietorship established in Hong Kong principally engaged in the provision of subcontracting services of construction site works.

4. Supplier C is a sole proprietorship established in Hong Kong principally engaged in the provision of engineering services. Supplier C commenced its business in February 2001 and ceased its business in July 2022. There was no outstanding amount due from us to Supplier C as at the Latest Practicable Date.

5. Sum Kee Metal Company Limited is a private limited liability company incorporated in Hong Kong in 1989 principally engaged in the fabrication and supply of steel products.

6. Wah Chong Engineering Company is a sole proprietorship established in Hong Kong in 2001 principally engaged in the provision of welding services.

7. Easy Smart Engineering Limited is a subsidiary of Easy Smart Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2442) which is principally engaged in fire protection works as a subcontractor in Hong Kong. According to publicly available information, Easy Smart Group Holdings Limited generated revenue of approximately HK$240.5 million for the year ended 30 June 2022.

8. Supplier Group G consists of (i) a private limited liability company incorporated in Hong Kong in 1983 principally engaged in the supply of steel products; and (ii) a private limited liability company established in the PRC in 2004 principally engaged in steel processing and supply of steel products.

9. Kanson Crane & Heavy Transport Company Limited is a private limited liability company incorporated in Hong Kong in 2004 principally engaged in the provision of crane rental and heavy transportation services.

None of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five suppliers of our Group for each year/period during the Track Record Period.

Basis of selecting our suppliers of materials

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

Reasons for subcontracting arrangement

Construction site works

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. According to the Industry Report, it is common for structural steelwork contractors in Hong Kong to engage subcontractors to perform construction site works. Our executive Directors confirm that our subcontracting arrangement is in line with normal market practice.

Structural steel fabrication works

On occasions, our customers may require us to perform galvanising works on the structural steel which requires specialised technical skills. To achieve optimisation in our production, we outsource all required galvanising works to our subcontractors in the PRC. Further, depending on our production capacity, we may also subcontract other parts of structural steel fabrication works to our subcontractors in the PRC.

Basis of selecting our subcontractors

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

QUALITY CONTROL

We believe that our commitment to quality services is crucial to our reputation and continual success. We place strong emphasis on service quality by implementing a comprehensive quality control system. Our Group has obtained certification certifying its quality management to be in conformance with the requirements of ISO 9001:2015 standard. In conformity with the ISO 9001:2015 standard, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, proper filing, communication with customers, revision on quality manual and procedures, employees' training, internal and external audits, procurement of materials and subcontracting services, structural steel fabrication process and non-conforming works management.

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

Procurement, inspection and testing of materials

Our Group maintains an approved list of suppliers which is updated on a regular basis. Depending on the contract terms with our customers, we may be required to procure materials with certain specifications or quality standards. Our Group would generally arrange for testing of the materials by external laboratory selected by the Hong Kong government or by us. We typically conduct inspection on the materials upon their delivery to our production facilities in the PRC. Our customers would also direct their own representatives to conduct inspection and endorse on the materials. Please refer to the paragraph headed "Our suppliers – Basis of selecting our suppliers of materials" above for our procurement policies of materials. Our suppliers are responsible for replacing any materials which do not meet the relevant specifications or standards and any associated costs incurred.

Quality control on the structural steel fabrication process

Our quality control department closely monitors our structural steel fabrication process to ensure strict compliance with our standard operating procedures. Our Group submits quality control report to our customers throughout the structural steel fabrication process on a regular basis. Our Group also engages third party testing service providers for weld testing to ensure the strength and quality of our semi-finished products. The third party testing service provider will issue testing reports to our Group, which will be submitted to our customers for approval.

We have implemented a maintenance system for our machinery, which includes regular inspection and regular repair and maintenance of machinery. Our production department is responsible for conducting management, examination, repair and maintenance of our machinery for fabrication of structural steel products from time to time in order to ensure their proper functioning and safe operation, thus enhancing our productivity and product quality. For further details on the repair and maintenance of our machinery, please refer to the paragraph headed "Production facilities and capacity – Repair and maintenance" above in this section.

Quality control on finished products

We perform in-house inspections on each batch of finished goods to ensure our products comply with the specifications and requirements of our customers. We are generally required to provide outgoing quality inspection reports to our customers for approval before the products are delivered to the construction sites in Hong Kong. Our foremen and our customers' representatives at the construction sites would also conduct inspection on the finished products upon their arrival.

Any defective products identified will not be delivered to our customers. Our quality control inspectors will identify the causes for any product defects and follow up closely with our quality control department to confirm any deficiencies in our production process.

Collecting feedbacks from customers

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

Designation of project management team

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

Works performed by subcontractors of construction site works

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

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

(i) our project management team conducts regular meetings with subcontractors' responsible personnel to review their performance and resolve any issues encountered in the course of their works;

(ii) our project management team reviews the works performed by our subcontractors on a continual basis during project implementation based on our quality control manual. We assess the performance of our subcontractors based on their (a) ability to meet delivery schedules; (b) response to instructions; (c) management commitment; (d) quality of services; and (e) cost competitiveness; and

(iii) our subcontractors are required to follow our guidelines and instructions on workplace safety. Our project management team will closely monitor the on-site safety performance of our subcontractors.

INVENTORY

We do not keep any inventory during the Track Record Period. We do not purchase materials in advance for anticipated orders from customers. The size, shape, density and specifications of steel procured by us are generally tailored to fulfil the specific requirements for each project and the materials procured by us are physically endorsed with the signature of our customers' representatives. Hence, each batch of procurement is designated for a pre-determined project. Once the materials are procured by us for a pre-determined project, it cannot and would not be applied for the use in other projects.

LOGISTICS

We engage third party logistics service providers for (i) the delivery of materials from Hong Kong to our production facilities in the PRC; and (ii) the delivery of our finished structural steel products from our production facilities in the PRC to the relevant construction sites in Hong Kong. The logistics service providers are responsible for the risks associated with the delivery of goods and have to bear any losses or other liabilities should the goods be damaged during delivery. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred transportation expenses of approximately HK$4.5 million, HK$5.5 million, HK$12.0 million and HK$3.6 million to third party logistics services providers, respectively.

INSURANCE

We undertook projects in the role of subcontractor during the Track Record Period. Our executive Directors confirmed that our structural steelwork were covered by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractors. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site and works performed by them in the relevant construction site.

Our Group has also maintained key man life insurance policies for our executive Directors and employees' compensation insurance for our executive Directors and employees at our office in Hong Kong.

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

Uninsured risks

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

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 148 employees (including our three executive Directors and two non-executive Directors but excluding our three independent non-executive Directors). The following table sets out a breakdown of our employees by function and geographical location during the Track Record Period and as at the Latest Practicable Date:

	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023	As at the Latest Practicable Date
Hong Kong					
– General management	5	5	5	5	5
– Project management and supervision	10	10	10	10	12
– Engineering	5	7	6	5	4
– Site workers	31	49	22	16	16
– Finance and accounting	3	3	3	4	4
Sub-total:	54	74	46	40	41
The PRC					
– Production	89	96	78	85	89
– Drawing	6	5	5	5	5
– Quality control	5	5	5	5	4
– Finance and administration	12	11	10	9	9
Sub-total:	112	117	98	104	107
Total:	166	191	144	144	148

Our number of site workers increased from 31 as at 31 December 2020 to 49 as at 31 December 2021 and decreased to 22 and 16 as at 31 December 2022 and 30 September 2023, respectively.

Our Group secured Project No. #02 from Hip Hing Group in late 2019. According to the original project schedule, our contract works under Project No. #02 were supposed to commence in or around late 2019 and complete by mid-2021. By mid-2020, we were informed that our works schedule of Project No. #02 would be revised and the substantial part of our construction site works would be rescheduled to 2021. Taking into consideration (i) the sizeable scale and relatively tight project schedule of Project No. #02; (ii) a substantial part of our construction site works was rescheduled to be performed in or around 2021; and (iii) the uncertainty arising from the COVID-19 outbreak and the associated risks of labour shortage, our Group started recruiting additional site workers by late 2020 in order to equip ourselves with sufficient labour force to prepare for the rescheduled construction site works under Project No. #02 in 2021, which resulted in our number of site workers totaling 31 as at 31 December 2020.

Subsequently, our Group had further recruited additional number of site workers in preparation of the rescheduled construction site works, resulting in the increase in number of our site workers in 2021. However, later in mid-2021, our Group was informed that the substantial part of our construction site works under Project No. #02 would be further rescheduled. Notwithstanding we had been informed about the revision in schedule of our construction site works under Project No. #02, our Group had decided to keep, instead of immediately laying-off, our site workers who were designated for Project No. #02, taking into consideration (i) the rescheduling was expected to last for several months and the substantial part of our construction site works was expected to be performed by 2022; (ii) it is administratively not desirable to lay-off such site workers and hire for replacements shortly after. In light of the revision in project schedule, our Directors anticipated that we would be required to complete our construction site works within a shorter timeframe. Hence it is vital for us to retain our site workers in order to mitigate the risks of being unable to identify suitable and sufficient site workers later by the time when the substantial part of our construction site works was expected to be performed by us.

Due to natural attrition, the number of our site workers gradually decreased during 2022. Instead of recruiting additional site workers to fill the vacancies for performing the construction site works for Project No. #02, we have decided to subcontract a relatively larger amount of our construction site works under Project No. #02, having considered that it may be costly to recruit suitable labour in a short period of time. We consider such arrangements were in our interests, given that (i) our subcontractors indicated they could readily deploy suitable and sufficient labour for undertaking our construction site works under Project No. #02; and (ii) the increasing use of subcontractors was not expected to adversely affect our ability to meet the project schedule or work quality. Further, based on negotiation with Hip Hing Group, we were allowed to claim for certain increase in our subcontracting fees resulting from the rescheduling of Project No. #02 to Hip Hing Group.

Taking into consideration (i) our subcontractors were able to provide quality works which fulfil the requirements and schedule to the satisfaction of Hip Hing Group under Project No. #02, while we continued to focus on our role of project management and supervision; and (ii) our past experience in which we had to bear the costs of our site workers throughout the rescheduling of Project No. #02, our Directors consider that the costs of maintaining a pool of site workers may be burdensome especially when our projects experience unforeseen rescheduling resulting in the revenue generated therefrom being lower than expected, our Group had decided not to re-fill the vacancies, resulting in the number of our own site workers being lowered to 16 as at 30 September 2023.

Training and recruitment policies

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

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

Staff costs and remuneration policy

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

Our Group incurred staff costs (including directors' remuneration) of approximately HK$32.5 million, HK$51.0 million, HK$45.8 million and HK$27.4 million for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively.

Employee relationship

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

Welfare contribution

We participate in a provident fund scheme (the "**MPF Scheme**") registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. For further details on the MPF Scheme, please refer to the paragraph headed "Regulatory overview – Hong Kong – Laws and regulations in relation to labour, health and safety" in this document.

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For further information, please refer to the paragraph headed "Regulatory overview – The PRC – Laws and regulations in relation to social security and housing provident funds" in this document.

LICENCES, REGISTRATIONS AND PERMITS

The following table sets forth the details of the material licences and registrations of Wing Kei Hong Kong as at the Latest Practicable Date:

Relevant authority/ Organisation	Registration and qualification	Trade Code/ Category	Date of expiry
Construction Industry Council	Registered subcontractor	Structural steelwork	24 October 2025

Relevant authority/ Organisation	Registration and qualification	Trade Code/ Category	Date of expiry
Development Bureau	Contractor on the List of Approved Specialist Contractors for Public Works	Structural steelwork	N/A

Our executive Directors are of the view that our aforesaid registrations are adequate for our business needs. As advised by our Hong Kong Legal Counsel, Wing Kei Hong Kong has obtained all necessary licences, permits and registrations which are required to carry on our principal business activities in Hong Kong as at the Latest Practicable Date.

The following table sets forth the details of the material registrations of Wing Kei Dongguan as at the Latest Practicable Date:

Permit	Issuing authority	Date of expiry
Customs Declaration Entity Registration Certificate of the PRC*（中華人民共和國海關報關單位註冊登記證書）	Chang'an office of Huangpu Customs District*（黃埔海關長安辦事處）	N/A
Registration for discharge of fixed pollutant*（固定污染源排污登記回執）	Ministry of Ecology and Environment of the PRC*（中華人民共和國生態環境部）	26 April 2025

Our executive Directors are of the view that our aforesaid registrations are adequate for our business needs. As advised by our PRC Legal Advisers, Wing Kei Dongguan has obtained all necessary licences, permits and registrations which are required to carry on our principal business activities in the PRC as at the Latest Practicable Date.

Our Directors confirm that our Group has not experienced suspension or failure to renew any material licences and registrations in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL COMPLIANCE

Our Group has established an environmental management system and also formulated an environmental policy to provide guidance, support and adequate resources for effective implementation of our environmental protection measures. Our environmental management system involves, among others, the following environmental protection measures:

- ensuring our compliance with regulatory requirements, customers' specifications and industry practices in relation to environmental protection;

- evaluating the environmental impact of our business activities, products and services and the associated environmental risks, and devising targets and plans for managing such risks;

- effectively conserving the use of resources and minimising waste generation;

- ensuring our subcontractors and their workers comply with our environmental protection policies; and

- providing trainings to our employees in relation to our environmental management system.

We are subject to general Hong Kong and PRC laws and regulations on environmental protection. For details, please refer to the paragraph headed "Regulatory overview – Hong Kong – Laws and regulations in relation to environmental protection" and "Regulatory overview – The PRC – Laws and regulations in relation to environmental protection" in this document. We are committed to conducting our business operations to comply with all applicable environmental laws and regulations.

We generally arrange recycling of any leftover steel materials. Our Directors believe that our fabrication process does not generate a large amount of environmental hazards and does not impose significant adverse impact on the environment and that our environmental protection measures are adequate to comply with all applicable PRC laws and regulations on environmental protection. We engaged third-party agencies to assess, examine and evaluate the environmental impact of the operations of our production facilities.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we incurred approximately RMB98,000, RMB76,000, RMB105,000 and RMB68,000, respectively, directly in relation to our compliance with applicable environmental requirements in Hong Kong and the PRC. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation.

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

OCCUPATIONAL HEALTH AND WORK SAFETY

Our Group places emphasis on occupational health and work safety. Our Group has implemented occupational health and safety policies, which is certified to be in compliance with ISO 45001 standards, in order to provide our employees with a safe and healthy working environment.

Work safety measures at our production facilities

We are committed to maintain a safe working environment at our production facilities in the PRC and abide by work safety laws and regulations imposed by the PRC government authorities. We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations. We have adopted and implemented occupational health and safety procedures and measures for our structural steel fabrication process which include operational and safety control procedures, occupational health management procedures, machinery operation and maintenance procedures and emergency control procedures.

We provide our production staff with safety induction and regular trainings on work safety in connection with matters such as the safe operation of machinery with a view to enhancing occupational safety and minimising the occurrence of work-related accidents and occupational illness. Our production department carries out regular safety inspections on our production facility to ensure compliance with the safety measures. Protective devices are installed and warning signs are posted to ensure the machinery is operated safely. Our production staff is provided with occupational safety gear such as safety helmets, protective eyewear, safety shoes and gloves.

We have established a policy in recording and handling accidents. Upon occurrence of an accident, the employees shall report to the relevant department head and the administration department. The relevant department head shall prepare a report detailing the accident, including date and time of the accident, employees involved, cause, confirmation of responsibility, suggestion on rectification, and submit to the administration department. The department shall then carry out an investigation, assess the impact of the accident and recommend appropriate measures to improve safety.

Work safety measures at project sites

Our Group has put in place an internal safety manual which sets out the work safety measures implemented by our Group to prevent workplace accidents at the construction sites. Set out below are some of the work safety measures included in our internal safety manual:

- organises site safety induction briefing sessions for workers on the first day of work and provides trainings for the workers on site, including subcontractors' employees. Topics of the safety training typically cover safety procedures for performing structural steel works, safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, potential hazards in respect of the work sites, function and proper usage of personal protection equipment, contingency measures at work sites, and good housekeeping of workplaces;

- effective promotion and communication of safety procedures are maintained through among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, and documenting safety measures and issues identified for each project by preparing safety reports and training record;

- risk assessments are conducted to identify potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works;

- site inspections are carried out by our safety officers on a daily basis to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations. We may also engage external safety consultant to assist with our safety supervision on a case-by-case basis;

- our safety officer shall (i) advise our senior management team on the legal requirements in respect of occupational health and safety matters; (ii) anticipate possible workplace hazards and recommend relevant prevention procedures; (iii) provide statistics and analysis on workplace accidents and make recommendations for improvement; (iv) report and investigate works accidents, determine their causes and recommend measures for preventing recurrence; and (v) arrange safety trainings for all our employees;

- our project management team shall ensure that our work safety measures are incorporated into our proposed construction methods from the planning stage, and are subsequently adhered to throughout project implementation;

- our site foremen shall co-operate with our safety officer to establish on-site safety practices and ensure that all new comers to the construction sites are aware of their obligations to comply with such practices; and

- safety audits and safety reviews are conducted in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulation.

Our project management team is responsible for overseeing the implementation of our occupational health and safety policies at project sites and ensuring that we comply with all applicable occupational health and safety standards and laws. Our internal safety manual is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our occupational health and safety policies. Our workplace and safety rules set out in our internal safety manual identify common safety and health hazards and recommendations on prevention of workplace accidents. We require our employees and our subcontractors' employees to strictly comply with our safety rules.

We provide suitable personal protective equipment such as full-body harness, safety helmet and safety boots to our employees and our subcontractors' employees. We also provide safety training to all of our employees who are working at the construction sites to ensure that they are aware of and comply with our internal safety guidelines.

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

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

Handling and recording of workplace accidents

Our Group has a proper system in place for handling and recording work accidents at the construction sites during the Track Record Period and up to the Latest Practicable Date. Set out below is our general procedures for handling and recording work accidents:

- Upon occurrence of an accident, we require the injured worker or person who witnessed the accident to report to our safety officer about the details of the accident on a timely basis, including the venue, time, cause of injury, etc..

- Our safety supervisor will prepare a notice of accident and send the notice of accident to the project manager and our administrative staff detailing the venue, date and time of the accident, name of the injured, details of the accident and injury and follow up action performed by the safety supervisor after the occurrence of the accident. Our administrative staff maintains a master file for recording all details of injury cases.

- Our administrative staff will report the work injury case on time to the main contractor and the Labour Department in accordance with the relevant requirements.

Fatal accident prior to the Track Record Period

Prior to the Track Record Period, a fatal accident occurred at the site of Siu Ho Wan Depot, Lantau Island, Hong Kong (the "**Siu Ho Wan Site**"), at which our Group was engaged by the main contractor to provide structural steelwork as a subcontractor. On 11

March 2017, one worker (the "**Deceased**"), being an employee of the subcontractor of our Group, sustained fatal injury during the course of work. It was alleged that while the Deceased was working on a metal platform at height located at the Siu Ho Wan Site, an unfixed metal plate displaced and dropped, thereby causing the Deceased to fall from the metal platform onto the ground (the "**Siu Ho Wan Accident**").

Following the Siu Ho Wan Accident, our Group has implemented enhanced work safety measures to prevent recurrence of similar accidents, which included but not limited to:

(i) conducting an external safety audit under the Factories and Industrial Undertakings (Safety Management) Regulation in which the external safety auditor was satisfied with the findings on the safety management system of our Group;

(ii) adopting and implementing safety work system for working-at-height activities;

(iii) carrying out site inspections regularly by our safety officer to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations;

(iv) providing frequent reminders and briefings to our workers and our subcontractors' workers to increase their awareness to occupational safety and health and our in-house safety rules;

(v) issuing warning letters to our workers and our subcontractors' workers if they failed to follow our in-house safety rules; and

(vi) taking disciplinary actions against our workers and our subcontractors' workers if they repeatedly or seriously breached our in-house safety rules.

As advised by the Hong Kong Legal Counsel, (i) all the litigation and claims relating to the Siu Ho Wan Accident has been fully settled and hence there is no litigation risk going forward; and (ii) the Siu Ho Wan Accident would have no impediment to our renewal of registration with the Construction Industry Council and the Development Bureau in the future. During the Track Record Period, we did not have any fatal accidents.

Workplace accidents during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we recorded one accident involving our employee at our project site in Hong Kong which gave rise or may give rise to potential employees' compensation claim and/or personal injury claims. The following table sets out the nature of the aforesaid accident occurred during the Track Record Period and up to the Latest Practicable Date:

Date of accident	Details of the accident
13 November 2021	An employee of our Group suffered injury to her left leg during work hours.

For further details of the employees' compensation claims under the Employees' Compensation Ordinance and personal injury claims under common law, please refer to the paragraph headed "Litigations and claims" below in this section. Save as disclosed above, our Group did not experience any significant incidents or accidents at our project sites in relation to workers' safety during the Track Record Period and up to the Latest Practicable Date.

Analysis of accident rates

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the Track Record Period:

	Industry average in Hong Kong *(Note 1)*	**Our Group** *(Notes 2 and 3)*
From 1 January to 31 December 2020		
Accident rate per 1,000 workers	26.1	Nil
Fatality rate per 1,000 workers	0.185	Nil
From 1 January to 31 December 2021		
Accident rate per 1,000 workers	29.5	7.8
Fatality rate per 1,000 workers	0.218	Nil
From 1 January to 31 December 2022		
Accident rate per 1,000 workers	29.1	Nil
Fatality rate per 1,000 workers	0.162	Nil
From 1 January to 30 September 2023		
Accident rate per 1,000 workers	N/A *(Note4)*	Nil
Fatality rate per 1,000 workers	N/A *(Note4)*	Nil

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.23 (August 2023) published by the Occupational Safety and Health Branch of the Labour Department.

2. Our Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers in our Group's projects during the year/period.

3. The above data provided includes the employees of our Group and workers of our subcontractors in Hong Kong during the Track Record Period.

4. The relevant data has not been published as at the Latest Practicable Date.

The following table sets forth our Group's lost time injuries frequency rate ("**LTIFR**") during the Track Record Period:

	LTIFR *(Note 1)*
For the year ended 31 December 2020	Nil
For the year ended 31 December 2021	3.8
For the year ended 31 December 2022	Nil
For the nine months ended 30 September 2023	Nil

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/ period by 1,000,000 divided by the number of hours worked by site workers over the same year/ period. It is assumed that the working hour of each worker is 8 hours per day.

2. The above data provided includes the employees of our Group and workers of subcontractors during the Track Record Period.

RESEARCH AND DEVELOPMENT

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

PROPERTIES

Leased properties

As at the Latest Practicable Date, we leased and occupied properties consisting of (i) a parcel of land and buildings located in Dongguan, the PRC for our Dapianmei Production Facility; (ii) the Xinlong Production Facility located in Dongguan, Guangdong, the PRC; and (iii) offices and car parking spaces in Hong Kong. The table below sets forth the information regarding the properties leased by us as at the Latest Practicable Date:

Address and description of location	Landlord	Use of property	Approximate area	Term of tenancy
Dapianmei Village, Dalingshan Town, Dongguan City, Guangdong Province, PRC (中國廣東省東莞市大嶺山鎮大片美村)	Independent third parties	Production facility and ancillary use	A parcel of land with a site area of approximately 8,400 sq.m. and buildings with an aggregate gross floor area of approximately 7,000 sq.m.	13 July 1999 to 12 July 2049
1/F, building no. 3-4, Xinlong Technology Park, 1 Lingchuang Street, Yongjun Road, Dalingshan Town, Dongguan City, Guangdong Province, PRC (中國廣東省東莞市大嶺山鎮擁軍路嶺創街1號鑫隆科技園第3-4棟一樓)	An independent third party	Production facility and staff dormitory	8,700 sq.m.	23 October 2022 to 22 October 2024
Rooms 1510-1512 and 1520, Fortune Commercial Building and parking lot nos. 315, 316 and 201, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	Wealthy River International Investment Limited *(Note)*	Office and car parking space	1,896 sq.ft.	1 January 2024 to 31 December 2024
Room 1516, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	An independent third party	Office	297 sq.ft.	1 January 2024 to 31 December 2024
Room 2318, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	An independent third party	Office	282 sq.ft.	17 May 2023 to 16 May 2024
Parking lot no. 511, Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	An independent third party	Car parking	125.9 sq.ft.	1 February 2023 to 31 January 2025

Note: Wealthy River International Investment Limited is owned as to one-third by Mr. Kelvin Chan (an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders), one-third by Mr. Eddie Chan (an executive Director, the chief operating officer of our Group and one of our Controlling

Shareholders) and one-third by Ms. Karen Chan (an executive Director and one of our Controlling Shareholders). Therefore, Wealthy River International Investment Limited is a connected person of our Company. For details, please refer to the paragraph headed "Relationship with our Controlling Shareholders – Transactions entered into before the **[REDACTED]** which would otherwise constitute connected transactions" in this document.

As at 30 September 2023, our Group had no single property with a carrying amount of 15% or more of our Group's total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

Leased land and leased properties which are subject to title defects

As at the Latest Practicable Date, we have entered into agreements in the PRC in relation to (i) a lease of land (the "**Leased Land**") and the property for the Dapianmei Production Facility ("**Leased Property No. 1**") for a term of 50 years; and (ii) a lease of the property for the Xinlong Production Facility ("**Leased Property No. 2**", together with the Leased Land and Leased Property No. 1, collectively the "**Leased Properties**").

In respect of Leased Property No. 2, it is located at 1/F, Building No. 3-4, Xinlong Technology Park, 1 Lingchuang Street, Yongjun Road, Dalingshan Town, Dongguan City, Guangdong Province, PRC, which is not at the same location as the Leased Land being located in another village. In relation to the land use right of Leased Property No. 2 ("**Land No. 2**"), two agreements have been entered into, namely (i) the land use right transfer agreement between the relevant village committee and a villager of the village ("**the Villager**"), pursuant to which it is agreed that the relevant village committee shall transfer the land use right of Land No. 2 to the Villager for the purpose of industrial use for a period of 50 years from 2002 to 2052, and that the Villager shall have the right to use or sublet Land No. 2; and (ii) the sublease agreement between the Villager and the owner of the Leased Property No. 2 regarding the construction and sub-leasing of a factory building (i.e. Leased Property No. 2) for a period of 50 years from 2002 to 2052.

The ownership nature of the land for both of the Leased Property No. 1 and Leased Property No. 2 is collectively owned land. To the best of our Directors' knowledge and as advised by our PRC Legal Advisers, owing to historical reasons, (i) the landlords of the Leased Land and Leased Property No. 1 failed to obtain the land use right certificate（土地使用權證書）for the Leased Land, and the construction planning permit（建設工程規劃許可證）and property ownership certificate（房屋所有權證）for Leased Property No. 1; whereas (ii) the landlord of Leased Property No. 2 failed to obtain the construction planning permit（建設工程規劃許可證）and property ownership certificate（房屋所有權證）for Leased Property No. 2. In addition, both landlords failed to obtain the consent of over two-thirds of the members or over two-thirds of the representatives of villagers at the villagers' meetings of the relevant collective economic organisations in respect of the leases for the Leased Properties.

Legal consequences

According to the Regulations on the Lease of Properties in Towns and Cities in the Guangdong Province (《廣東省城鎮房屋租賃條例》), a landlord shall not lease any building without relevant property ownership certificate or management right, and shall not lease any property with illegal building structure. According to the Laws on Rural and Urban Planning of the PRC (《中華人民共和國城鄉規劃法》), if a landlord of a property does not possess valid construction planning permit, the landlord may be ordered by the relevant PRC authorities to dismantle the property within a prescribed time limit. According to the Interpretation by the Supreme People's Court about the Specific Application of Law on Certain Issues in the Hearing of Contractual Dispute Cases on the Leasing of Properties in Towns and Cities (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), if a landlord enters into a lease with a tenant for a property which has not been issued with the construction planning permit or was not built in accordance with the provisions of the construction planning permit, such lease shall be invalid. Nevertheless, if before the closing of debate in the court of first instance, such property obtains the construction planning permit or the construction of such property is approved by the competent authorities, the People's Court shall hold such lease to be valid.

If the agreements in respect of the lease of the Leased Properties are declared null and void, the landlords of the Leased Properties may be ordered by the relevant PRC authorities to dismantle the properties within a prescribed time limit. In such circumstances, we may need to relocate from our production facilities.

According to the Land Administration Law of the PRC (1998 revision) (《中華人民共和國土地管理法(1998修訂)》), the right to use land collectively owned by peasants may not be granted, transferred or leased for non-agricultural construction. According to the Land Administration Law of the PRC (2019 revision) (《中華人民共和國土地管理法(2019修訂)》), assignment or leasing of collectively-operated development land shall be subject to consent by more than two-thirds of the members of the rural collective economic organisation or more than two-thirds of villager representatives. According to the Administrative Measures of Guangdong Province for the Circulation of the Right to the Use of Collectively-owned Land for Construction Purposes (《廣東省集體建設用地使用權流轉管理辦法》) (the "**Measures**"), collectively-owned land for construction purposes may be used for the establishment and development of industrial and commercial enterprises or foreign-invested enterprises, provided that the lease of the right to use the collectively-owned land for construction purposes is approved by more than two-thirds of the members or more than two-thirds of the villagers' representatives at the villagers' meeting of the relevant collective economic organisation. Any failure to comply with the aforesaid procedure may result in the lease being declared null and void.

Leased Land and Leased Property No. 1

On 9 May 2023, the PRC Legal Advisers and the Sponsor consulted Dongguan Dalingshan Town Planning Management Office (東莞市大嶺山鎮規劃管理所) and Dalingshan Branch of Dongguan City Natural Resources Bureau (東莞市自然資源局大嶺山分局), and both of which confirmed that: (i) Wing Kei Dongguan is not subject to any administrative penalties for violation of laws and regulations relating to land management and planning, and Wing Kei Dongguan's use of the Leased Land and Leased Property No. 1 does not constitute any material violation of any PRC laws; (ii) neither Dongguan Dalingshan Town Planning Management Office nor Dalingshan Branch of Dongguan City Natural Resources Bureau will impose any fines or other administrative penalties, such as demolition, confiscation of property in kind or illegal income on us for the use of the Leased Land and Leased Property No. 1; (iii) the Leased Land and Leased Property No. 1 are in compliance with land use master plan and urban-rural planning, there is no plan to change the existing land use of the Leased Land and Leased Property No. 1 and Leased Property No. 1 is not subject to any risks of demolition or confiscation as a result of any proposed changes to the land use; (iv) Wing Kei Dongguan is entitled to continue to use the Leased Land and Leased Property No. 1 on an as-is basis; and (v) the leasing of lands and properties without the relevant certificates and/or permits was relatively common in such region.

As confirmed by the Dongguan City Natural Resources Bureau（東莞市自然資源局）to the PRC Legal Advisers, the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau（東莞松山湖高新技術產業開發區管理委員會自然資源局）is the competent superior authority of the Dalingshan Branch of Dongguan City Natural Resources Bureau. As confirmed by the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau to the PRC Legal Advisers, the Dalingshan Branch of Dongguan City Natural Resources Bureau is the competent authority to give administrative order or impose penalty within the jurisdiction of Dalingshan Town; and the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau confirmed to the PRC Legal Advisers, the Dongguan Dalingshan Town Planning Management Office is the competent authority within the jurisdiction of Dalingshan Town to implement the administrative supervision and management.

On 21 July 2023, the PRC Legal Advisers and the Sponsor consulted the landlords of the Leased Land and Leased Property No. 1, which, also being the relevant village committee and collective economic organisation, confirmed that: (i) there are no complaints, disputes, controversies, disagreements, litigations or arbitrations between our Group and the landlords in relation to the validity, interpretation, execution and performance of the lease for the Leased Land and Leased Property No. 1 ("**Agreement No. 1**"); and (ii) Wing Kei Dongguan is entitled to continue to use the Leased Land and Leased Property No. 1 in accordance with Agreement No. 1. In addition, the landlords confirmed that they have no intention to early terminate Agreement No. 1.

According to the Response of the Legal System Working Committee of the Standing Committee of the National People's Congress to the Request for Clarification on the Division of Rights and Relations between Village Committee and Collective Economic Organisation（《全國人大常委會法制工作委員會對關於村民委員會和村經濟合作社的權利和關係劃分的請示的答覆》）of 31 January 1992, the land owned collectively by the peasants of the village in accordance with the law shall be operated and managed by collective economic organisation such as village agricultural production cooperatives or, if there is no village collective economic organisation, by village committee. According to the Organic Law of the Villagers Committees of the PRC (amended in 1998)（《中華人民共和國村民委員會組織法(1998)》）, which was in force at the time, and the Organic Law of the Villagers Committees of the PRC (amended in 2018)（《中華人民共和國村民委員會組織法(2018)》）, which is currently in force, the villagers committee shall, in accordance with the provisions of laws, administer the affairs concerning the land and other property owned collectively by the peasants of the village. Therefore, as advised by the PRC Legal Advisers, based on the foregoing, the landlords of the Leased Land and Leased Property No. 1, which also being the relevant village committee and collective economic organisation, could represent the members or representatives of villagers to give the confirmations in relation to the continuous usage of the Leased Land and Leased Property No. 1.

As confirmed by our Directors, no administrative penalties have been imposed on Wing Kei Dongguan by any PRC government authority in relation to our use of the Leased Land and Leased Property No. 1 and neither Wing Kei Dongguan nor the landlords have been challenged, investigated or penalised by any PRC government authority in relation to our use of the Leased Land and Leased Property No. 1 since the date of Agreement No. 1 and up to the Latest Practicable Date. Considering that (i) Leased Property No. 1 has obtained a Building Structural Safety Appraisal Report《房屋結構安全鑒定報告》issued by a qualified institution in 2019, which concluded that the Leased Property No. 1 has complied with the safety requirements for use of the building structure and can continue to be used safely in the existing conditions; According to the Building Structural Safety Appraisal Report of Leased Property No. 1, Leased Property No. 1 can continue to be used safely in the existing conditions within the prescribed service loads, with the next appraisal to be conducted by April 2024 under normal conditions of use; (ii) Leased Property No. 1 has not experienced any safety-related issues since completion of its construction in 2000; (iii) Wing Kei Dongguan has never received any penalties or notices from the relevant authority for safety-related issues in respect of Leased Property No. 1; (iv) the failure of Leased Property No. 1 to obtain a construction planning permit is due to historical reasons and does not necessarily indicate that there are any issues with the safety of the building. Our Directors are of the view that Leased Property No. 1 has no safety concern. In addition, as advised by the PRC Legal Advisers, based on the Building Structural Safety Appraisal Report《房屋結構安全鑒定報告》, Leased Property No. 1 in all material respects complies with relevant standards and safety regulations.

According to the Measures for the Administration of Construction Project Quality Appraisal (《建設工程質量檢測管理辦法》), an appraisal institution which issues building structural safety appraisal reports should obtain the qualification as a construction project quality appraisal institution and being engaged in construction project quality appraisal activities within the scope of the qualification permit. The appraisal institution which issued the Building Structural Safety Appraisal Report for Leased Property No. 1 is an appraisal institution which has obtained the qualification as a construction project quality appraisal institution. As at the date of the Building Structural Safety Appraisal Report, the qualification of the appraisal institution was valid and subsisting.

According to the Measures for the Administration of Construction Project Quality Appraisal, the appraisal institution should carry out construction project quality appraisal in accordance with laws, regulations and applicable standards, and issue appraisal reports. Furthermore, as confirmed by the relevant authority which is in charge of the appraisal institution, if the appraisal report concludes that the building can continue to be used safely within prescribed service loads, the building structure meets the requirements for structural safety. The building has no safety concerns and complies with relevant standards and safety regulations in all material respects.

Leased Property No. 2

On 9 May 2023, the PRC Legal Advisers and the Sponsor consulted Dongguan Dalingshan Town Planning Management Office (東莞市大嶺山鎮規劃管理所) and Dalingshan Branch of Dongguan City Natural Resources Bureau (東莞市自然資源局大嶺山分局), and both of which confirmed that: (i) Wing Kei Dongguan is not subject to any administrative penalties for violation of laws and regulations relating to land management and planning, and Wing Kei Dongguan's use of Leased Property No. 2 does not constitute any material violation of any PRC laws; (ii) neither Dongguan Dalingshan Town Planning Management Office nor Dalingshan Branch of Dongguan City Natural Resources Bureau will impose any fines or other administrative penalties, such as demolition, confiscation of property in kind or illegal income on us for the use of Leased Property No. 2; (iii) Leased Property No. 2 is in compliance with land use master plan and urban-rural planning, there is no plan to change the existing land use of Leased Property No. 2 and Leased Property No. 2 is not subject to any risks of demolition or confiscation as a result of any proposed changes to the land use; (iv) Wing Kei Dongguan is entitled to continue to use Leased Property No. 2 on an as-is basis; and (v) the leasing of properties without the relevant certificates and/or permits was relatively common in such region.

As confirmed by the Dongguan City Natural Resources Bureau to the PRC Legal Advisers, the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau is the competent superior authority of the Dalingshan Branch of Dongguan City Natural Resources Bureau. As confirmed by the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau to the PRC Legal Advisers, the Dalingshan Branch of Dongguan City Natural Resources Bureau is the competent authority to give the administrative order or penalty within the jurisdiction of Dalingshan Town; and the Dongguan Songshan Lake Hi-Tech Industrial Development Zone Management Committee Natural Resources Bureau confirmed to the PRC Legal Advisers, the Dongguan Dalingshan Town Planning Management Office is the competent authority within the jurisdiction of Dalingshan Town to implement the administrative supervision and management.

On 21 July 2023, the PRC Legal Advisers and the Sponsor consulted the relevant village committee and collective economic organisation of the village where the Leased Property No. 2 is located, confirmed that: (i) there are no complaints, disputes, controversies, disagreements, litigations or arbitrations among our Group, the village committee, the owner and the landlord of Leased Property No. 2 in relation to the lease for Leased Property No. 2 ("**Agreement No. 2**"); and (ii) Wing Kei Dongguan is entitled to continue to use Leased Property No. 2 in accordance with Agreement No. 2. In addition, on 21 July 2023, the owner and the landlord of Leased Property No.2 confirmed that they have no intention to early terminate Agreement No. 2.

As mentioned above, according to the Response of the Legal System Working Committee of the Standing Committee of the National People's Congress to the Request for Clarification on the Division of Rights and Relations between Village Committee and Collective Economic Organisation of 31 January 1992, the land owned collectively by the peasants of the village in accordance with the law shall be operated and managed by collective economic organisation such as village agricultural production cooperatives or, if there are no village collective economic organisation, by village committee. According to the Organic Law of the Villagers Committees of the PRC (amended in 1998), which was in force at the time, and the Organic Law of the Villagers Committees of the PRC (amended in 2018), which is currently in force, the villagers committee shall, in accordance with the provisions of laws, administer the affairs concerning the land and other property owned collectively by the peasants of the village. Therefore, as advised by the PRC Legal Advisers, based on the foregoing, the relevant village committee and collective economic organisation of the village where the Leased Property No. 2 is located could represent the members or representatives of villagers to give the confirmations in relation to the continuous usage of the Leased Property No. 2.

As confirmed by our Directors, no administrative penalties have been imposed on Wing Kei Dongguan by any PRC government authority in relation to our use of Leased Property No. 2 and neither Wing Kei Dongguan nor the landlord has been challenged, investigated or penalised by any PRC government authority in relation to our use of Leased Property No. 2 since the date of Agreement No. 2 and up to the Latest Practicable Date. Considering that (i) Leased Property No. 2 has obtained a Building Structural Safety Appraisal Report（《房屋結構安全鑒定報告》）issued by a qualified institution in 2023, which concluded that Leased Property No. 2 has complied with the safety requirements for the use of the building structure and can continue to be used safely in the existing condition. According to the Building Structural Safety Appraisal Report of Leased Property No. 2, Leased Property No. 2 can continue to be used safely in the existing conditions within the prescribed service loads, with the next appraisal to be conducted by August 2025 under normal conditions of use; (ii) Leased Property No. 2 has not experienced any safety-related issued since we leased it in 2019; (iii) Wing Kei Dongguan has never received any penalties or notices from the relevant authority for safety-related issues in respect of Leased Property No. 2 since we leased it in 2019; and (iv) the failure of Leased Property No. 2 to obtain a construction planning permit is due to historical reasons and does not necessarily indicate that there are any issues with the safety of the building. Our Directors are of the view that Leased Property No. 2 has no safety concern. In addition, as advised by the PRC Legal Advisers, based on the Building Structural Safety Appraisal Report《房屋結構安全鑒定報告》, Leased Property No. 2 in all material respects complies with relevant standards and safety regulations.

According to the Measures for the Administration of Construction Project Quality Appraisal (《建設工程質量檢測管理辦法》), an appraisal institution which issues building structural safety appraisal reports should obtain the qualification as a construction project quality appraisal institution and being engaged in construction project quality appraisal activities within the scope of the qualification permit. The appraisal institution which issued the Building Structural Safety Appraisal Report for Leased Property No. 2 is an appraisal institution which has obtained the qualification as a construction project quality appraisal institution. As at the date of the Building Structural Safety Appraisal Report, the qualification of the appraisal institution is still valid and subsisting.

According to the Measures for the Administration of Construction Project Quality Appraisal, the appraisal institution should carry out construction project quality appraisal in accordance with laws, regulations and applicable standards, and issue appraisal reports. Furthermore, as confirmed by the relevant authority which is in charge of the appraisal institution, if the appraisal report concludes that the building can continue to be used safely within prescribed service loads, the building structure meets the requirements for structural safety. The building has no safety concerns and complies with relevant standards and safety regulations in all material respects.

Indemnity from Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to indemnify and will keep Wing Kei Dongguan fully indemnified against all claims, losses, liabilities, damages, costs, charges, fees, expenses, fines suffered or incurred by Wing Kei Dongguan as a result of or in connection with Agreement No. 1 and Agreement No. 2 being void or terminated prematurely as a result of the above mentioned title defects.

Views of our PRC Legal Advisers

Based on the foregoing, our PRC Legal Advisers are of the view that (1) the usage of the Leased Properties were in accordance with the land usage planning; (2) the districts in which the Leased Properties situated are not subject to any new planning, and the Leased Properties are not expected to be demolished; (3) the relevant authorities have no plans to change the existing land use of the Leased Properties and there is no risk of demolition or confiscation as a result of any proposed changes to the land use of Lease Properties; (4) Wing Kei Dongguan will be able to continue to use the Leased Properties on an as-is basis according to the terms of Agreement No. 1 and Agreement No. 2; (5) as a tenant, we are not liable for the title defects and are not in breach of the applicable laws and regulations; (6) we will not be subject to any administrative punishment or penalties in this regard; and (7) the chance that Wing Kei Dongguan will be required to relocate due to title defects in the Leased Properties is remote, and that the risk of material adverse effect on Wing Kei Dongguan's overall production and operations is remote.

Views of our Directors

On the aforesaid basis, we intend to continue to lease the Leased Properties in accordance with the terms of the Agreement No. 1 and Agreement No. 2, respectively. Our Directors consider that the possibility that we will be forced to relocate our production facilities before the expiry of Agreement No. 1 and Agreement No. 2 is low because:

(i) from the respective dates we started to lease the Leased Properties (namely 13 July 1999 for the Leased Land and Leased Property No. 1 and 23 October 2019 for Leased Property No. 2) and up to the Latest Practicable Date, we and the landlords had not received, and the relevant government authorities had not issued, any notice, letter or order, about the title defect of the Leased Properties, and the respective landlords or villagers raised no objections to our use of the Leased Properties;

(ii) the relevant and competent authorities have confirmed that Wing Kei Dongguan is entitled to continue to use the Leased Properties on an as-is basis; and

(iii) the respective landlords of the Leased Properties have confirmed that Wing Kei Dongguan is entitled to continue to use the respective Leased Properties in accordance with the terms of the Agreement No. 1 and Agreement No. 2, respectively.

Our Directors further consider that the chance that both our Dapianmei Production Facility and Xinlong Production Facility need to be relocated at the same time due to the title defects is very remote.

Contingent relocation plan

We carry out fabrication of structural steel required in our projects at the Leased Properties. In the unlikely event that we were forced to relocate our operations from the existing production facilities, we might be subject to possible risk of disruption to our business. In order to mitigate such risk, our management has devised a contingent plan for relocating our operations to other suitable leased premises.

We have consulted a property agent in the PRC for identifying suitable leased properties for our contingent relocation plan based on the following criteria (i) being located within or in proximity to Dongguan with a gross floor area of approximately 8,000 sq.m.; (ii) being available for lease at the monthly rental between RMB200,000 and RMB220,000; (iii) permitted for industrial use; (iv) having obtained the necessary certificates and registrations including land use certificate and building ownership certificate; (v) having complied with all relevant standards and safety regulations; (vi) equipped with all necessary fitting-out and ancillary facilities; and (vii) readily available for immediate use and occupation. Based on the response from the property agent, there are at least six properties which fulfil the abovementioned criteria available for lease. In order to ensure that suitable properties which fulfil our criteria will be readily available for lease, the property agent had agreed to continue updating the list of identified properties on a regular basis. In the event any of the identified properties is no longer available for lease, the property agent shall identify alternative properties that fulfil our criteria.

In the unlikely event of forced relocation, we would migrate our operations to other leased property(ies) in phases to mitigate the risks of complete suspension in our fabrication works and to minimise any potential adverse impact brought by the relocation.

According to the Administrative Penalty Law of the PRC (《中華人民共和國行政處罰法》), an administrative organ shall make a decision on administrative penalty within 90 days from the date the case of administrative penalty is placed on file. According to the Administrative Compulsory Law of the PRC (《中華人民共和國行政強制法》), for any unlawful building, structure, facility or otherwise that needs to be removed mandatorily, a statutory period is required for the party concerned to apply for administrative reconsideration or brings an administrative lawsuit. According to the Administrative Procedure Law of the PRC (as amended in 2017) (《中華人民共和國行政訴訟法》), where a citizen, a legal person or any other organisation chooses to directly initiate an action to a people's court, he or it shall do so within six months from the date when he or it knows or should know that a specific administrative act has been taken.

According to the consultation by the PRC Legal Advisers with the Dongguan Urban Management and Comprehensive Law Enforcement Bureau (東莞市城市管理和綜合執法局), the time limit imposed by the administrative order or penalty to the dismantlement is determined on a case-by-case basis. As a general practice, the time limit imposed by the order or penalty to the dismantlement generally ranges from six to 18 months. As confirmed by the PRC Legal Advisers, according to the Breakdown Table of Administrative Law Enforcement Powers and Administrative Law Enforcement Responsibilities of Dalingshan Town, Dongguan City (《東莞市大嶺山鎮行政執法職權和行政執法責任分解表》), Dongguan Urban Management and Comprehensive Law Enforcement Bureau (東莞市城市管理和綜合執法局) is competent to give such confirmation.

Based on our estimation, the phased migration of our operations would be completed within approximately two to three months, taking into account the transportation time of our machinery and materials, and the setup time for our machinery at the new premises. Further, if we encountered significant production orders while we were conducting relocation, we might temporarily outsource some of our steel fabrication works to subcontractors.

As advised by the PRC Legal Advisers, if an administrative order or penalty to dismantle any illegal building, structure or facility is imposed on the Dapianmei Production Facility or Xinlong Production Facility, the time limit for implementing such administrative order or penalty generally ranges from six to 18 months. As we would unlikely be forced to relocate immediately or within short notice, our Directors believe that it would be feasible for us to carry out the relocation in phases and make appropriate planning or adjustment to our production schedule before relocation, thereby mitigating the overall adverse impacts on our operations. For instance, if we received notice from the relevant landlord(s) requiring us to relocate our production facilities in our Dapianmei Production Facility and/or Xinlong Production Facility, we could prioritise our fabrication works with regard to the schedule of our construction site works and the urgency of having the relevant materials delivered to Hong Kong. In order to facilitate our production efficiency during the relocation period, the more imminent fabrication work orders would remain with our existing production facilities, while those less urgent orders might be processed at the new premises during the transition period of relocation. Further, once the actual timing of relocation is determined, we could negotiate with our customers for providing us with temporary space at the construction work sites so that we might complete the fabrication works earlier in advance and place the fabricated items in Hong Kong or rent a warehouse in the PRC temporarily as an interim measure. This would enable us to allocate our production capacity more evenly, and hence reducing the risk of late delivery during the relocation period. Where necessary, we may also consider seeking for minor extension or rescheduling of our installation works from our customers such that we could have more leeway in planning our production schedule.

In the unlikely event that we were forced to relocate our operations from both the Dapianmei Production Facility and the Xinlong Production Facility at the same time, we estimate that we would have to incur additional subcontracting fees of approximately RMB2.0 million during the relocation. Such estimation takes into account various factors including (i) the expected extent of reduction in our total production capacity during the relocation, as mitigated by appropriate planning or adjustment to our production schedule as explained in the paragraph above; (ii) the estimated volume of structural steel fabrication works which might have to be outsourced to subcontractors during the relocation; and (iii) the historical unit rate chargeable by our subcontractors in relation to structural steel fabrication works.

Save as the additional subcontracting fees that we might have to incur, our Directors consider that any forced relocation of our production facilities in the Dapianmei Production Facility and/or Xinlong Production Facility would not result in a material loss of revenue and/or material adverse impact on our Group's financial performance, given that we could significantly mitigate the potential impact by (i) carrying out the relocation in phases and making appropriate planning or adjustment to our production schedule in the meantime; (ii) where necessary, temporarily outsourcing part of our fabrication works to subcontractors; and (iii) seeking for special arrangements with our customers or renting a warehouse in the PRC temporarily for temporary storage space and/or minor extension or rescheduling for our installation works. Our Directors believe that these measures could prevent failure to deliver the required fabricated materials to Hong Kong for our construction site works.

Our Directors consider that we will not experience material difficulties in identifying suitable and readily available subcontractors for structural steel fabrication works with sufficient production capacity and quality assurance for fulfilling any temporary increase in our needs for subcontracting services in case of relocation taking into consideration (i) our Group maintains an approved list of subcontractors for structural steel fabrication works which is updated on a regular basis. We select our subcontractors based on their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. As at the Latest Practicable Date, our Group had a pool of over 10 approved subcontractors for structural steel fabrication works which fulfil our evaluation criteria; (ii) our quality control staff conducts site inspection at our subcontractors' production facilities on a regular basis to ensure their works comply with the quality standards, requirements and specifications of our Group and our customers; and (iii) during the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage in the supply of subcontracting services for structural steel fabrication works or any material quality issues in relation to the works of our subcontractors for structural steel fabrication works.

Given we plan to carry out the necessary relocation in phases and we would be able to temporarily engage more subcontracting services, if necessary, as interim measure, our Directors expect that the potential relocation would neither result in substantial downtime in our production, nor material impact in our Group's operation.

Set forth below is a quantitative analysis on the potential impact in case of forced relocation from our Leased Properties:

Xinlong Production Facility

Our Group incurs a monthly rental of RMB265,000 under the lease of the Xinlong Production Facility. Since the prevailing market rental for similar properties are between RMB200,000 and RMB220,000, we expect that we would not have to incur additional monthly rental if we had to relocate from the Xinlong Production Facility to another property of similar features. Therefore, in the event of forced relocation from the Xinlong Production Facility, we would likely incur only minimal logistics and setup costs of approximately RMB0.2 million for the relocation.

Dapianmei Production Facility

By the time we leased the Dapianmei Production Facility, we had already settled upfront rental for the entire lease term of 50 years up to July 2049. If we were forced to relocate from our Dapianmei Production Facility to another property of similar features, it is estimated that we would incur additional monthly rental expenses of approximately RMB200,000 to RMB220,000. In addition, we would likely incur logistics and setup costs of approximately RMB0.2 million for the relocation.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group is the registered owner of four trademarks in Hong Kong and a domain name. For further information, please refer to the section headed "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix V to this document.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

LEGAL COMPLIANCE

Hong Kong

Our Directors confirm, and as advised by the Hong Kong Legal Counsel, that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident in relation to our Hong Kong operation which is material or systemic in nature.

The PRC

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Latest status, remedial actions and measures
Failure to make adequate social insurance contributions for all employees During the Track Record Period, Wing Kei Dongguan failed to make adequate social insurance contributions for all of its employees in accordance with provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**"). The social insurance contributions made by Wing Kei Dongguan for its employees have reached the minimum amount required by the local government, but are less than the amount calculated based on the actual salaries of the employees. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the outstanding amounts of social insurance contributions were approximately RMB30,000 *(Note)*, RMB0.9 million, RMB0.6 million and RMB0.5 million, respectively.	The non-compliance was primarily due to (i) Wing Kei Dongguan made social insurance contributions based on the local minimum wages; and (ii) some of the employees of Wing Kei Dongguan preferred not to make social insurance contributions at the actual salary level or at all. In particular, certain employees have made social insurance contribution in their hometowns and refused to make additional contribution.	Pursuant to Article 86 of the Social Insurance Law, if an employer fails to pay its social insurance contributions in accordance with the Social Insurance Law, the relevant authority may demand the employer to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a surcharge at a daily rate of 0.05% on the outstanding amount, accruing from when the social insurance contribution was due. If the employer fails to make such payment within the prescribed time limit, the relevant authority may impose a further fine of one to three times the outstanding amount. According to Article 20 of the Regulation on Labour Security Supervision (《勞動保障監察條例》), if the violation of labour security laws, regulations or rules has not been discovered by the labour security administrative department within 2 years, nor has it been reported or complained, the labour security administrative department shall no longer investigate and deal with it. According to the Law of the PRC on Administrative Penalty (《中華人民共和國行政處罰法》), where an illegal act is not discovered within two years of its commission, administrative penalty shall no longer be imposed. Therefore, as advised by the PRC Legal Advisers, Wing Kei Dongguan might be demanded to pay the outstanding social insurance contributions for a period of two years prior to the Latest Practicable Date of approximately RMB1.3 million and a late payment fee of approximately RMB0.3 million within a prescribed time limit. If Wing Kei Dongguan fails to make such payment within the prescribed time limit, the relevant authority may impose a further fine of one to three times of the abovementioned outstanding social insurance contributions.	As confirmed with Dalingshan Branch Office of Dongguan Municipal Human Resources and Social Security Bureau (東莞市人力資源和社會保障局大嶺山分局) on 28 July 2023, we had not been penalised for violating any PRC laws or regulations in relation to social insurance contributions. On 28 July 2023, our PRC Legal Advisers confirmed with the Dalingshan Branch Office of Dongguan Municipal Human Resources and Social Security Bureau (東莞市人力資源和社會保障局大嶺山分局) that (i) the authority was fully aware of the production and operation situation of Wing Kei Dongguan and its social insurance payment; (ii) as of the date of the interview, Wing Kei Dongguan has not been found to have violated any laws, regulations, rules or ordinances and has not been subject to any administrative penalties or supervisory measures for violating social insurance laws and regulations; and (iii) the authority has never initiated and will not initiate any proceedings including requiring us to pay all outstanding social insurance contributions. As advised by the PRC Legal Advisers, the aforementioned government authority have the authority and are competent to make the aforesaid confirmations. **Indemnity from our Controlling Shareholders** On 22 February 2024, each of our Controlling Shareholders issued a letter of indemnity, pursuant to which he/she/it jointly and severally undertook that if Wing Kei Dongguan is required to pay outstanding social insurance contributions for its employees, or bear any fine or loss due to Wing Kei Dongguan's failure to pay social insurance contributions for its employees in accordance with the Social Insurance Law, he/she/it would jointly and severally make up such payment for Wing Kei Dongguan unconditionally and undertake responsibilities on behalf of Wing Kei Dongguan. During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from Dongguan Municipal Bureau of Human Resources, Dalingshan Sub-bureau of Social Security and Dongguan Municipal Bureau of Human Resources and Social Security (東莞市人力資源社會保障局及東莞市人力資源社會保障局大嶺山分局) or any authority requiring us to pay the outstanding social insurance contributions or imposing surcharge or fine against us; and (ii) we were not aware of any complaint from our employees or dispute with our employees in respect of social insurance contributions. Based on the foregoing, the PRC Legal Advisers are of the view that the risk of Wing Kei Dongguan being required to pay the outstanding social insurance contributions or imposing surcharge penalties against Wing Kei Dongguan is remote. Based on the above, our Directors are of the view, and the Sponsor concurred, that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole and there is no need to make provision for such non-compliance.

Note: We enjoyed certain exemptions from making social insurance contributions on our part in FY2020 due to the introduction of Notice by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises《人力資源社會保障部、財政部、稅務總局關於階段性減免企業社會保險費的通知》and Notice by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration on the extension of the implementation period of the policy of phased reduction and exemption of enterprise social insurance premiums and other issues《人力資源社會保障部、財政部、稅務總局關於延長階段性減免企業社會保險費政策實施期限等問題的通知》in light of the COVID-19 pandemic in 2020.

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Latest status, remedial actions and measures
Failure to make adequate housing provident fund contributions for all employees During the Track Record Period, Wing Kei Dongguan failed to make adequate housing provident fund contributions for all of its employees in accordance with the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》). The housing provident fund contributions paid by Wing Kei Dongguan for its employees have reached the minimum amount required by the local government, but less than the amount calculated based on the actual salaries of the employees. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the outstanding amount of housing provident fund contributions were approximately RMB0.4 million, RMB0.4 million, RMB0.4 million and RMB0.3 million, respectively.	The non-compliance was primarily due to (i) we made the housing provident fund contributions based on the local minimum; and (ii) some of the employees of Wing Kei Dongguan preferred not to make housing provident fund contributions at the actual salary level or had made housing provident fund contributions in their hometowns, and Wing Kei Dongguan has provided dormitory space as staff welfare for its employees.	Pursuant to Article 38 of the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), if an employer fails to pay its housing provident fund contributions in accordance with the Regulations Concerning the Administration of Housing Provident Fund, the relevant authority has the power to order the employer to pay all outstanding housing provident fund contributions within a prescribed time limit. If the employer fails to make such payment within the prescribed time limit, an application of compulsory enforcement can be made to the People's Court of the PRC. Therefore, in respect of the outstanding housing provident fund contributions during the Track Record Period, the maximum amount that Wing Kei Dongguan might be ordered to pay would be approximately RMB1.5 million.	According to the Credit report(《信用報告(無違法違規證明版)》)dated 2 June 2023, we had not been penalised for violating any PRC laws or regulations in relation to housing provident fund contributions. As confirmed with Dongguan Housing Provident Fund Management Centre (東莞市住房公積金管理中心) on 1 August 2023, the authority will not initiate in requesting enterprises in default of housing provident fund contribution to pay the shortfall unless there is any complaint from the employees. In this regard, the relevant employees have undertaken not to make any complaint or claim, or take any action, in relation to the outstanding housing provident fund contributions. According to the Implementation Measure for the Enforcement of the Dongguan Housing Provident Fund Administrative Law(《東莞住房公積金行政執法管理辦法》東公積金委〔2022〕2號), the Dongguan Housing Provident Fund Management Centre is the competent authority for the enforcement of the housing provident fund administrative law and is responsible for the implementation of the investigation and handling of housing provident fund violations in Dongguan. As advised by the PRC Legal Advisers, the Dongguan Housing Provident Fund Management Centre has the authority and is competent to provide such confirmations. **Indemnity from our Controlling Shareholders** On 22 February 2024, each of our Controlling Shareholders issued a letter of indemnity, pursuant to which he/she/it jointly and severally undertook that if Wing Kei Dongguan is required to pay outstanding housing provident fund contributions for its employees, or bear any fine or loss due to Wing Kei Dongguan's failure to fully pay housing provident fund contributions for its employees, he/she/it would make up payment for Wing Kei Dongguan unconditionally and undertake responsibilities on behalf of Wing Kei Dongguan. During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from the Dongguan Housing Provident Fund Management Center or any authority requiring us to pay the outstanding housing provident fund contributions or about initiation of any compulsory enforcement at the court against us in relation to housing provident fund contributions; and (ii) we were not aware of any complaint from its employees or dispute with our employees in respect of housing provident fund contributions. Based on the foregoing, the PRC Legal Advisers are of the view that the risk of Wing Kei Dongguan being required to pay the outstanding housing provident fund contributions or being subject to compulsory enforcement to court is remote. Based on the above, our Directors are of the view, and the Sponsor concurred, that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole and there is no need to make provision for such non-compliance.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in certain claims, litigations and potential claims against our Group in the ordinary and usual course of our business. Set out below are the details of (i) the ongoing civil litigation involving our Group as at the Latest Practicable Date; (ii) the litigations against our Group settled or discontinued during the Track Record Period and up to the Latest Practicable Date; and (iii) the potential claim against our Group as at the Latest Practicable Date.

(i) Ongoing civil litigation involving our Group as at the Latest Practicable Date

The following table sets forth details of the ongoing civil litigation against our Group as at the Latest Practicable Date:

Nature of the claim	Particulars of the claim	Status
Winding-up proceedings (the "**Winding-up Proceedings**")	Our Group as the petitioner petitioned for winding-up of the respondent (the "**Respondent**") on insolvency grounds, relying on the Respondent's debts owed to our Group arising from balance of unpaid contract price under a subcontract (the "**Subcontract**") entered into between our Group and the Respondent. *(Note)*	The court has made the winding-up order against the Respondent.

Note: The original contract sum of the Subcontract amounted to approximately HK$30.3 million. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised revenue of approximately HK$9.0 million, nil, nil and nil, respectively, from the Subcontract, representing approximately 2.8%, nil, nil and nil of the total revenue for the corresponding year/period, respectively. As at 30 September 2023, the trade receivables and retention receivables owing from the Respondent amounted to approximately HK$2.6 million and HK$1.5 million, respectively, in which provision for impairment has been fully provided. To the best knowledge and belief of our Directors, our Group has completed all the works under the Subcontract as at the Latest Practicable Date.

(ii) Litigations against our Group settled or discontinued during the Track Record Period and up to the Latest Practicable Date

The following table sets forth details of the litigations against our Group settled or discontinued during the Track Record Period and up to the Latest Practicable Date:

No.	Nature of the claim	Particulars of the claim
1.	Contractual dispute claims *(Note 1)*	These are two duplicated counter-claims by the Respondent of the Winding-up Proceedings in respect of the Subcontract (i.e. the same subcontract under dispute in the Winding-up Proceedings). The Respondent alleged that, as a result of the delay by our Group under the Subcontract, the Respondent incurred a liability to pay liquidated damages to the main contractor under the same project.
2.	Employees' compensation claim *(Note 2)*	It was alleged that, on 13 November 2021, the plaintiff, an employee of our Group, sprained her left leg in the course of employment as a wooden plank was unstable and caused the plaintiff to lose balance.
3.	Personal injury claim *(Note 2)*	This litigation was in respect of the fatal accident occurred prior to the Track Record Period, the details of which are set out in the paragraph headed "Occupational health and work safety – Fatal accident prior to the Track Record Period" in this section.
4.	Labour Tribunal claim *(Note 4)*	It was alleged that our Group failed to grant the plaintiff, an employee of a subcontractor of our Group, statutory holidays.
5.	Labour Tribunal claim *(Note 5)*	It was alleged that the severance payment payable to the plaintiff, an employee of a subcontractor of our Group, was incorrectly calculated.
6.	Personal injury claim *(Note 3)*	It was alleged that, on 28 September 2017, the plaintiff, an employee of our Group, sustained injuries to his right arm and ribs in the course of employment as a metal plank was unstable and caused him to fall from the second floor to the first floor.
7.	Personal injury claim *(Note 2)*	It was alleged that, on 24 August 2018, the plaintiff, an employee for our Group, sustained injuries to his rib and sternum in the course of employment as the bamboo on which he was standing broke and caused the plaintiff falling from the scaffold onto the working platform.
8.	Personal injury claim *(Note 2)*	It was alleged that, on 12 November 2017, an employee of the owner of a lorry-mounted elevating work platform from which our Group rented from, sustained fracture dislocation of his left talus as the elevating work platform toppled over and caused a bucket to fall onto the planter.

No.	Nature of the claim	Particulars of the claim
9.	Personal injury claim *(Note 2)*	It was alleged that, on 2 September 2016, the right hand of the plaintiff, an employee of our Group, was crushed between a box section and a metal rack and sustained injury.
10.	Personal injury claim *(Note 2)*	It was alleged that, on 12 October 2016, a metal subframe fell from height towards the ground and hit the plaintiff, an employee of our Group.
11.	Labour Tribunal claim *(Note 3)*	It was alleged that the annual leave payment in lieu to the plaintiff, an employee of a subcontractor of our Group, was incorrectly calculated.
12.	Personal injury claim *(Note 6)*	It was alleged that, on 12 May 2016, the right hand of the plaintiff, an employee of a subcontractor of our Group, was crushed against an I-beam in the course of employment.
13.	Personal injury claim *(Note 2)*	It was alleged that, on 8 December 2017, the right fingers of the plaintiff, an employee of a subcontractor of our Group, were hurt by heavy metals in the course of employment.
14.	Personal injury claim *(Note 2)*	It was alleged that, on 12 November 2017, the plaintiff, an employee of our Group, sustained left foot fracture in the course of employment as he fell from a work platform onto the planter.

As at the Latest Practicable Date, there was no outstanding liability in respect of all the above litigations.

Notes:

1. The Respondent discontinued with the two duplicated litigations very shortly after it made the counter-claims. As these two litigations were discontinued, the amount of settlement paid by our Group was nil.
2. The amount of settlement paid by our Group was nil as these litigations were covered by insurance.
3. The amount of settlement paid by our Group was nil as these litigations were discontinued.
4. The amount of settlement paid by our Group was approximately HK$46,000.
5. The amount of settlement paid by our Group was approximately HK$34,000.
6. The amount of settlement paid by our Group was approximately HK$516,000.

(iii) Potential claim against our Group as at the Latest Practicable Date

Personal injuries suffered by our employees or by our subcontractors' employees as a result of accidents arising out of and in the course of their employment may lead to employees' compensation claims and common law personal injury claims against us. Potential claims refer to those claims that have not commenced against our Group but are within the limitation period of two years (for employees' compensation claims) or three years (for common law personal injury claims) from the date of the relevant incidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).

As at the Latest Practicable Date, there was one accident resulting in injury to our employee which may give rise to potential litigation in relation to common law personal injury claim against our Group. The table below sets out a summary of the expiry of limitation period of the aforesaid work injury accident:

Year	Number of employees' compensation claims which limitation period will expire	Number of common law personal injury claims which limitation period will expire
For the year ending 31 December 2024	–	1
Total	–	1

As no court proceedings for such potential claim have been commenced, the Hong Kong Legal Counsel is of the view that the likely quantum of such potential claim cannot be assessed at this stage. As advised by the Hong Kong Legal Counsel, the amount of such potential claim to be borne by our Group, if any, shall be covered by insurance policies maintained by the relevant main contractor. As such, our Directors consider that such potential claims will not have any material adverse impact on our operation and financial performance and no provision had been made in respect of such potential claim.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us as at the Latest Practicable Date.

Indemnity executed by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any legal proceedings instituted by or against our Group and non-compliance by our Group on or before the date on which the **[REDACTED]** becomes unconditional. Please refer to the paragraph headed "E. Other Information – 1. Tax and other indemnities" in Appendix V to this document for details.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MATTERS

Our Group's governance on environmental-related risks, climate-related risks and opportunities, and social responsibilities

Our Directors consider that establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders. We are committed to complying with the Stock Exchange's reporting requirements on ESG following the **[REDACTED]**. We will formulate an ESG policy (the "**ESG Policy**") which will outline, among others, (a) the appropriate risk governance on ESG matters; (b) ESG strategy formation procedures; (c) ESG risk management and monitoring; and (d) identification of key performance indicators ("**KPI(s)**") and the relevant measurements. The ESG Policy will be formulated in accordance with the standards of Appendix 27 to the Listing Rules and be reviewed on an annual basis to ensure that it remain relevant and appropriate to the needs of our operation.

Our Board is principally responsible for (i) overseeing the formulation and reporting of our ESG direction and strategies; (ii) determining our ESG-related risks; (iii) establishing and adopting the ESG policy and targets of our Group; (iv) ensuring that ESG considerations are taken into consideration during the business decision-making process; (v) monitoring and reviewing our ESG performance; and (vi) revising the ESG strategies as appropriate if significant variance from the target is identified. Our Board also closely follows the latest ESG-related laws and regulations and updates our ESG measures correspondingly to ensure that we comply with the latest regulatory requirements.

Upon the **[REDACTED]**, we will establish a committee (the "**ESG Committee**"), comprising our Directors and senior management with sufficient knowledge of our Group's operations, and relevant experience and/or responsibilities for handling the current and emerging ESG matters. The ESG Committee will support our Board in implementing the ESG policy, targets and strategies, conducting materiality assessments of material ESG and climate-related risks and assessing how our Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Committee is also responsible for the investigation of deviation from targets and making recommendation on rectification actions. The ESG Committee will report to our Board on a half-yearly basis on the ESG performance of our Group and the effectiveness of our ESG system.

Identification, management and assessment approaches

Our Board has adopted the following approaches to identify, assess and manage material ESG issues relevant to our Group:

(i) *Identification*: Our Directors discuss the ESG issues relevant to our Group with our key stakeholders, including our major customers, major suppliers, management team and employees, and collect their views and opinions on our ESG measures and practices, which, help us better identify and prioritise the ESG issues and risks inherent in our business operations and formulate effective ESG measures to mitigate those risks. Our Directors believe that this open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

(ii) *Management:* Attributed to the above efforts, we have implemented ESG measures that provide guidelines in managing our ESG issues. In this connection, our Board will review ESG issues arising from our business operations including climate-related issues when reviewing our ESG measures, major plans of actions, risk management policies, annual budget in implementing these ESG measures and our business plans as well as setting our performance objectives.

(iii) *Assessment:* Apart from assessing the performance of our ESG measures through discussion among our Directors and our stakeholders, our Board would engage independent third party inspection and assessment institutions to identify and assess our level of compliance in respect of environmental protection covering air pollution control, noise control and climate changes.

Materiality assessment

We conduct a materiality assessment to identify ESG topics that are material to us, from which we are able to prioritise ESG aspects and strategise our action plan. We identify potential material ESG issues which may affect our Group's business or stakeholders, based on corporate strategies of our Group and characteristics of the Hong Kong structural steelwork industry, as well as the development of relevant government policies and applicable regulatory requirements and industry standards.

In assessing the materiality of identified ESG issues, we take both internal and external materiality assessments into account. The internal materiality assessment takes into consideration factors including but not limited to (i) the likelihood or frequency of the occurrence of the relevant risk; (ii) the degree of impact on our Group if the relevant risk occurs; (iii) our key company values, policies, strategies and objectives; (iv) direct financial impact; (v) ESG issues and metrics of concern to internal stakeholders; (vi) core competencies and strengths of our Group; (vii) reputational risks and opportunities; (viii) key issues in the Hong Kong structural steelwork industry; (ix) the operation environment of structural steel fabrication in the PRC; (x) development of government policies and applicable regulatory requirements and industry standards. The external materiality assessment takes into account (i) ESG issues and metrics of interest from external stakeholders; (ii) key ESG issues of interest from our competitors; (iii) policy guidelines and ESG risks; and (iv) opportunities identified by qualified independent third parties after in-depth investigation.

Based on our evaluation as well as internal and external inputs, we identify certain material ESG topics. Our material topics are closely aligned with our ESG strategic priorities. The results from our materiality exercise enable us to address stakeholder expectations and develop our ESG strategies with better priority setting and more efficient resources allocation.

Environmental matters

We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we have established an environmental management system in conformance with ISO 14001 international standard. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

Set out below are policies in addressing different environmental issues pertinent to our Group:

A. Emission

GHG emissions

Our major sources of greenhouse gas ("**GHG**") emissions are generated from (i) combustion of petrol by lifting machines and cranes at project sites and motor vehicles (Scope 1); and (ii) electricity consumption at our production facilities in the PRC and our office in Hong Kong (Scope 2). The following table sets forth a breakdown of our GHG emissions during the Track Record Period:

Indicator	Unit	FY2020	FY2021	FY2022	Nine months ended 30 September 2023
Direct GHG emissions (Scope 1) – Petrol consumption	tCO2e	115.2	110.2	119.9	104.8
Indirect GHG emissions (Scope 2) – Electricity consumption	tCO2e	1,424.5	1,606.6	1,588.7	1,111.6
Total GHG emissions (Scope 1 and Scope 2)	tCO2e	1,539.7	1,716.8	1,708.6	1,216.4

We have adopted the following measures to minimise direct GHG emissions in our operations:

- encouraging our employees to switch off idling engines when the lifting machines, cranes or motor vehicles are not in use;

- promoting and adopting the use of energy-saving and efficient equipment, and switching off machinery and electronic appliances when they are not in use;

- cleaning the fan blades of the ventilation system at our production facilities in the PRC regularly and maintaining the equipment for filtering dust and smoke regularly to ensure its normal operation;

- promoting e-office practices and measures, such as switching off electronic appliances when they are not in use; and

- our environmental management plan provides air pollution abatement guidelines and measures, which include (i) ensuring the concentration and rates of air pollutants are in compliance with the relevant environmental protection laws and regulations; and (ii) conducting periodic checks to ensure the GHG emission of lifting machines, cranes and motor vehicles is within the standard level as prescribed by law.

Waste management

(a) Hazardous wastes

Due to our business nature and to the best knowledge of our executive Directors, our Group did not generate hazardous waste in the course of our operation.

(b) Non-hazardous wastes

We generally arrange recycling of any leftover steel materials. The non-hazardous wastes generated from our Group's operations mainly include paper consumed in our office. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we generated a total of approximately nil, 80 tonnes, 118 tonnes and 61 tonnes of non-hazardous wastes.

With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, our Group has implemented the following measures in waste management and launched different wastes reduction initiatives:

- providing recycling bins for different types of waste streams to promote recycling;

- promoting the use of electronic media for communication and reducing the use of paper;

- promoting reusing paper by placing a collection box for single-sided used paper next to each printer; and

- encouraging our employees to use double sided printing or photocopying wherever possible.

Sewage discharge

As we do not consume significant volume of water in our operation, our operation does not generate material discharges of water during the Track Record Period. Wastewater of our Group is discharged into the municipal sewage pipeline network for processing.

Noise

Our machinery at the production facilities in the PRC emanates noise during operation. To minimise the impact on the environment, we have implemented noise isolation at our production facilities and provided hearing protection devices to our employees.

Besides, due to our business nature, our operations on project sites generate noise. To mitigate disturbance created to the community and the environment, we adopted certain noise pollution control policies on project sites, which include:

- taking practicable measures to reduce excessive noise by using advance construction and noise damping technology;
- ensuring the noise level does not exceed the prescribed level regulated by the Noise Control Ordinance and other relevant regulations; and
- providing hearing protection devices to our employees.

B. Resources consumption

Energy consumption

Our Group's energy consumption mainly included (i) consumption of petrol by lifting machines, cranes and motor vehicles; and (ii) electricity consumed at our production facilities in the PRC and office in Hong Kong. The following table sets forth a breakdown of our major sources of energy consumption during the Track Record Period:

Types of energy consumption	**Unit**	**FY2020**	**FY2021**	**FY2022**	**Nine months ended 30 September 2023**
		(approximately)	*(approximately)*	*(approximately)*	*(approximately)*
Petrol	kWh	44,000	42,000	46,000	40,000
Electricity	kWh	1,726,000	1,946,000	1,924,000	1,349,000
Total	kWh	1,770,000	1,988,000	1,970,000	1,389,000

Apart from the energy saving measures in relation to the use of lifting machines, cranes and motor vehicles as mentioned above, our Group has established the following energy conservation management in order to minimise the waste of energy:

- promoting e-office practices and measures, such as switching off electronic appliances when not in use;
- encouraging our employees to set room temperature ranges from 23°C to 25°C;
- conducting regular trainings and workshops to help our employees identify energy-saving measures and enhance their awareness; and
- promoting and adopting the use of energy-saving and efficient equipment and will adopt immediate maintenance once damage is reported.

Water consumption

We mainly consume water in our production facilities in the PRC and office in Hong Kong. To ensure water is efficiently used, our Group has adopted measures to increase water efficiency such as placing environmental signs with water-saving messages at prominent places to remind our employees to conserve water.

Social matters

Set out below are our policies in addressing different social issues pertinent to our Group:

A. Employment

We are committed to upholding the principles of equal opportunities, diversity and anti-discrimination in our workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to gender, age, cultural and educational background, nationality, ethnicity, industry experience, skills and knowledge. We conduct performance appraisal to analyse our employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to our employees based on their performance appraisal.

B. Health and safety

Please refer to the paragraph headed "Occupational health and work safety" in this section.

C. Development and training

- Staff handbook is given to our employees to ensure that they are familiar with our Group's policy.

- On-the-job training and industrial trainings are provided to our employees to equip them with the skills and knowledge essential to our fabrication process and construction site works.

D. Labour standards

We comply with the relevant laws and regulations in Hong Kong and the PRC and follow strictly with the Employment of Children Regulations and the Employment Ordinance in the recruitment of staff. We are also committed to eliminating discrimination in working environment and strive to provide our employees with equal job opportunities in relation to recruitment, training, opportunities, benefits and job arrangements, regardless of their race and gender.

Our Group also prohibits any punishments, management methods and disciplinary actions that involve verbal or physical abuse, physical punishment, or any actions that may constitute oppression or sexual harassment against our employees for any reason.

E. Supply chain management

- We have adopted a stringent policy and procedure on the selection of suppliers and subcontractors. For further details of our evaluation criteria, please refer to the paragraphs headed "Basis of selecting our subcontractors" and "Basis of selecting our suppliers of materials" in this section.

- We carry out quality assurance checks on materials received from suppliers to ensure the quality and reliability of materials meet our requirement. We generally arrange for testing of the materials by external laboratory selected by the Hong Kong government or by us.

- Our quality control department closely monitors our structural steel fabrication process to ensure strict compliance with our standard operating procedures. Our Group submits quality control report to our customers throughout the structural steel fabrication process on a regular basis. Our Group also engages third party testing service providers for weld testing to ensure the strength and quality of our semi-finished products. The third party testing service provider will issue testing report to our Group, which will be submitted to our customers for approval.

- We perform in-house inspections on each batch of finished goods to ensure our products comply with the specifications and requirements of our customers. We are generally required to provide outgoing quality inspection reports to our customers for approval before the products are delivered to the construction sites in Hong Kong.

- All subcontractors are required to follow our safety inspection policy and comply with our safe work practices when carrying out structural steelwork on project sites.

- We have developed a procedure in evaluating and assessing the safety performance of our subcontractors. Any unsatisfactory performance of our subcontractors will be reported to our Directors and warning letter may be issued to the relevant subcontractor. If the unsatisfactory performance persisted, we may remove such subcontractor from our internal approved list of subcontractors for a period of time and cease our existing engagements with such subcontractor should there be any material non-conformance with the safety requirement following the issue of the warning letter.

F. Services responsibility

We maintain ongoing communication with our customers to ensure understanding and satisfaction of their demand and expectations.

Upon completion of our projects, our project management team will arrange handover of the project sites to our customers. Site visits are performed by our customers and if any defects on our works are detected, we will arrange for rectifications.

G. Anti-corruption and whistleblowing

We strictly abide by the laws and regulations related to anti-corruption, including but not limited to the Anti-Unfair Competition Law of the PRC, the Criminal Law of the PRC and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). We uphold a high standard of integrity and adopt a zero-tolerance policy on acts of corruption in any form, including bribery and extortion, fraud and money laundering. Our Group stipulates the disciplinary code in our staff handbook and ensure our employees understand the details of the terms. Any suspected or actual fraudulent behavior will be reported to our Directors immediately. We strongly encourage our employees to report any suspected misconduct.

To avoid any conflict of interest of our employees, we stipulate the declaration of interest guidelines in our staff handbook, which provides guidelines and procedures to our employees in exercising their good faith and honesty in all transactions and avoid using their positions or knowledge gained from their employment for their own personal benefits. Our employees are required to ensure there is no conflict of interest between their personal interest and their duties to our Group and declare any potential or perceived conflict of interest to our executive Directors when they have or have had a personal relationship with a related person.

Our Group also adopts a whistleblowing policy and encourages our employees who have concerns about any suspected misconduct or malpractice within our Group to come forward and voice their concerns. Complainants are assured of their anonymity and are protected against unfair dismissal, victimisation or unwarranted disciplinary action even when their concerns turn out to be unsubstantiated. Our Audit Committee is responsible for monitoring and reviewing the effectiveness of the whistleblowing policy.

H. Community involvement

We are working towards to building a healthy and sustainable community and maintaining communication and interaction with the community. We aim to promote the stability of society and support the underprivileged to improve the quality of life. We focus to inspire our employees towards social welfare awareness and encourage our employees to participate in voluntary works to make contribution to society.

Corporate governance matters

Our Company will comply with the Corporate Governance Code. We have established procedures for developing and maintaining internal control systems covering areas such as corporate governance, operations management, compliance matters, financial reporting, as appropriate for our business operations. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. In particular, we have adopted the following internal control measures to enhance our corporate governance:

(i) our Board includes three independent non-executive Directors, whose backgrounds and profiles are set out in the section headed "Directors and senior management" in this document, to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;

(ii) our Directors will review and provide recommendation on our risk management related policies and procedures, and review the effectiveness and adequacy of our risk management activities annually;

(iii) we have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the paragraph headed "Directors and senior management – Board committees" in this document;

(iv) we have strengthened our internal audit system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems. Our internal control system will be reviewed by our internal audit personnel or independent internal control consultant on an annual basis to ensure that effective internal control procedures are in place;

(v) our Directors have attended a training session on 25 July 2023 conducted by our legal advisers as to Hong Kong law on, among other things, the obligations, on-going corporate governance requirements and the duties of directors of a company **[REDACTED]** on the Stock Exchange;

(vi) our company secretary, Mr. Tam Hon Fai, will attend external professional training each year to keep himself abreast of the latest accounting and/or regulatory regime in Hong Kong;

(vii) we have appointed Grande Capital as our compliance adviser to advise us on compliance matters in relation to the Listing Rules;

(viii) to avoid potential conflicts of interest, we will implement corporate governance measures in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules; and

(ix) our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after **[REDACTED]**.

Actual and potential impact of environmental, social and climate-related risks and opportunities on our Group's business, strategy and financial performance

Our executive Directors are responsible for evaluating and managing any material ESG issues and climate-related risks and opportunities of our Group. Our executive Directors will meet regularly to discuss issues and risks that are pertinent to the business development of our Group. Our executive Directors will keep track of the latest policies implemented by the Hong Kong government in tackling climate change. For better identification of the risks and opportunities, our executive Directors and senior management will attend to discussion on sustainability of the structural steelwork industry and low-carbon economy. Our Board will work closely in identifying future risks and opportunities, as well as identifying appropriate actions to cope with the ever-changing situations.

We may be exposed to possible financial loss and non-financial detriments arising from environmental and climate-related risks which can be mainly categorised into (i) physical risks; and (ii) transitional risks.

A. Physical risks

Increased frequency and severity of extreme weather conditions such as cyclones and extreme precipitation

During recent years, Hong Kong and the PRC have faced extreme weather conditions. Extreme precipitation events have become more frequent in the last few decades. Increase in frequency and severity of extreme weather events may result in the following adverse impacts on our Group:

- Damage to our products: Our structural steel products are susceptible to water damage. Flooding may cause rusting to our products and render them unusable, resulting in material financial loss to our Group.

- Delay in project completion: The progress of our projects could be adversely affected if there is an increase in the occurrence of tropical cyclones and/or floods. The rising frequency of extreme weather conditions are likely to interrupt the delivery of our materials, project schedule and wreak havoc on the project sites' environment. Any damage on our project sites will render us in deploying more resources on ensuring the safety conditions of our project sites before work is resumed, thereby resulting in delay in our projects as heightened safety procedures are adopted. In particular, our employees and/or our subcontractors' employees may be required to work at height, which are susceptible to extreme weather conditions such as strong wind. If there is any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

- Increase in our operation costs: We may have to deploy additional resources to minimise the potential adverse impacts caused by extreme weather hazards. For instance, should there be any temporary project suspension and/or delay resulted from extreme weather conditions, we may have to deploy additional workers, engage additional subcontractors and/or arrange for additional overtime works to ensure timely delivery of works to our customers, thereby increasing our operating costs and resulting in project costs overrun. Further, we may have to implement additional precautionary and safety measures at our project sites to prevent damage caused by extreme weather conditions, resulting in an increase in our overall operating costs. Also, in order to strengthen our protection against intense precipitation and flood, we may have to implement enhanced flood protection measures such as installation of flood gate system and improvement in the water and drainage system at our production facility, resulting in an increase in our operation costs.

- Increase in maintenance cost and storage fees for our machinery: Extreme weather conditions may result in flooding and cause damages to our machinery, resulting in increased maintenance cost. If our machinery and equipment is damaged, there is a need to replace the machinery or lease additional machinery from third party machinery services providers to ensure timely completion of our structural steel fabrication process and construction site works.

Rising mean temperature and increasing number of days of extreme heat

According to the Hong Kong Observatory, the average temperature increasing rate per decade was 0.14°C from 1885 to 2022. The rate of increase accelerated in the latter half of the 20th century and the average increasing rate per decade was 0.28°C from 1993 to 2022. Furthermore, the annual number of very hot days (i.e. days with a maximum temperature of 33°C or above) in Hong Kong has increased from 2.2 for 1885 to 1914 to 17.5 for 1991 to 2020.

Our employees and/or our subcontractors' employees are prone to rising temperature since most of our project sites are not equipped with air-conditioning systems. Hot weathers can easily lead to heat exhaustion, heat strokes or other health diseases. Such negative impacts on the health condition of our employees and/or our subcontractors' employees may reduce our productivity and/or delay our work progress, resulting in interruption to our business operations.

To lower the risks of sickness suffered by our employees and/or our subcontractors' employees, we will have to provide heat-relieving measures, such as providing electric fans, resting areas and sufficient hydration to the workers, to combat increasing temperatures and re-arrange work schedules to avoid working under hot weathers.

Rising temperature and heightened precipitation has also resulted in the proliferation of mosquitoes, which increases the risk of transmission of mosquito-borne diseases in Hong Kong. Several mosquito-borne diseases are of public health concern in Hong Kong, including dengue fever and Japanese encephalitis. Heightened measures will have to be implemented at our project sites to guard against mosquito-borne diseases, such as (i) frequent cleaning at the project site to avoid accumulation of stagnant water; (ii) installation of bug zappers; and (iii) encourage workers to wear loose, light-coloured, long-sleeved tops and trousers and wear insect repellent clothing at work.

In the event of heatwave or extremely hot weather in the PRC, our machinery located at our production facilities may face the problem of overheating and lead to reduced useful life. We will have to adopt additional measures, which include letting the machinery rest after prolonged use and more frequent maintenances to ensure smooth fabrication process, thereby resulting in additional costs to be incurred by us.

Rising sea levels

Hong Kong is a low-lying coastal city, and the rise in sea level can pose immediate flooding risk. Low-lying areas in Hong Kong such as Tai O, North District and Lei Yue Mun are constantly hit by flooding in summer. Flooding at our project sites may result in severe damages to our structural steelwork performed, resulting in rectification works to be performed and additional costs and time to be incurred by us. If the rectification works to be performed by us result in any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

B. Transitional risks

Potential impairment on our financial performance due to the transition to low-carbon economy

The Hong Kong government has been working towards to achieve sustainable development in Hong Kong. In response to the Paris Agreement, which was ratified by the PRC on 3 September 2016 and applied to Hong Kong as decided by the Central People's Government of the PRC, the Hong Kong government has implemented the Hong Kong's Climate Action Plan 2030+, targeting to reduce the carbon emission per capita by 3.3 to 3.8 tonnes, absolute carbon emission by 26% to 36% and carbon intensity by 65% to 70% in 2030, as compared to 2005. Furthermore, the Hong Kong government also aims to (i) reduce carbon by phasing down coal for electricity generation and replacing it with natural gas by 2030; (ii) optimise the introduction of renewable energy in a more systematic manner with the Hong Kong government taking the lead; (iii) promote energy saving to continuously reduce carbon emissions in construction and property development; and (iv) provide a safe, efficient, reliable and environmentally friendly transport system.

There is no assurance that the Hong Kong government will not impose carbon tax on the emission of greenhouse gases ("**GHG**"). In the event that the Hong Kong government decided to levy carbon tax, our financial performance may be adversely affected as we may have to allocate resources in strengthening our environmental control measures on lowering our GHG emissions or settle any levies imposed by the Hong Kong government on our GHG emission.

Changing customer behaviour

Driven by the gradual recognition and promotion of low-carbon economy by the Hong Kong government, our executive Directors anticipate that our Group will be increasingly required by our customers to adopt clean technology and deploy energy-saving and efficient machinery in performing our projects. If we are unable to fulfil our customers' requirements in this regard, our customers may become less likely to award projects to us, resulting in material adverse impact on our reputation, business, financial condition and results of operation.

Increasing costs in compliance with applicable environmental requirements

In the event of any changes in the laws and/or regulations and/or government policies in environmental protection in Hong Kong and/or the PRC and more stringent requirements are imposed on our Group, we may have to incur additional costs and expenses to comply with such requirements. We may also be required to revise our current practices, implement enhanced compliance and internal control measures and systems, adopt the use of energy-saving and efficient equipment, offer training to our employees and/or our subcontractors' employees and introduce new preventive or remedial measures so as to ensure compliance with the relevant laws, regulations, policies and standards, which would incur additional financial, human and other resources. Furthermore, if we fail to comply, or are alleged to fail to comply, with the relevant laws and regulations, we may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant judicial or governmental authorities. Our reputation may also be adversely affected, resulting in a loss of business as our customers may be less inclined to engage subcontractors with environmental non-compliance. Regulatory development and evolution may potentially have significant impacts on our business operations and present transition risks to us.

C. Opportunities

Our Group has identified the following potential business opportunities arising from our promotion of low-carbon economy:

Reduce fossil usage and consumption

In view of the increasing awareness of sustainable development and green energy, our Group has set out a plan in replacing our machinery at our production facilities in the PRC with those that are more efficient in energy consumption. As at the Latest Practicable Date, our Group did not have a fixed timeline for the replacement schedule. The replacement of our existing machinery is likely to provide long-term benefits to our Group. With reduced energy consumption, we will create a more environmentally-friendly workplace for our employees.

Recycling steel waste

According to the Industry Report, structural steelwork is more environmentally friendly than concrete construction as steel can be recycled and reused. Once steel structures reach the end of their lifespan or usage, the steel materials can be dismantled, collected and re-melted to manufacture new products. As such, steel recycling has significant environmental benefits such as reducing landfill waste, lowering emissions from mining and manufacturing operations, and conserving natural resources required for new steel production. In contrast, concrete from demolished structures typically ends up as landfill waste because it cannot be recycled in the same way as steel. The raw materials used to produce concrete like sand, gravel and limestone also require heavy mining operations which result in damages to the environment.

During the Track Record Period, we arranged recycling of leftover steel materials. Recycling steel waste helps to reduce the amount of landfill waste generated from our projects. In view of the increasing awareness of eco-friendliness and sustainable property development by property developers and construction contractors, our executive Directors consider that our practice of recycling steel waste will enable our Group to be considered more favourably by our customers and increase our prospect of obtaining new projects.

Metrics and targets

Our Board will set targets for each 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 **[REDACTED]**. The relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. 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. Set forth below are the key metrics and targets for the material KPIs we have currently identified:

(i) our major sources of GHG emissions are generated from (a) scope 1 direct GHG emissions resulting from the combustion of petrol by lifting machines and cranes at project sites and motor vehicles; and (b) scope 2 indirect GHG emissions resulting from electricity consumed in our production facilities in the PRC and our office in Hong Kong. Our Group will make continuous efforts in working towards the target of reducing the level of GHG emissions in terms of tonnes of carbon dioxide equivalent (tCO2e). By using FY2022 as a baseline year, our Group strives to reduce our GHG emissions intensity by 3% before 2025;

(ii) our major sources of wastes are paper consumed in our office. By using FY2022 as a baseline year, we will make continuous efforts in working towards the target of reducing the tonnes of wastes produced by 3% annually; and

(iii) our major sources of energy consumption are petrol and electricity. Our Group will make continuous efforts in working towards the target of reducing the kilowatt-hour (kWh) of petrol and electricity consumed annually. By using FY2022 as a baseline year, our Group targets to decrease our energy consumption intensity by 3% by 2025.

Our Group has adopted the policies and measures as explained in the paragraph headed "Environmental, social and corporate governance matters – Environmental matters" in this section with the aim of reducing our GHG emissions, wastes and energy consumption to minimise any adverse impact on the environment resulting from our business activities. Our Directors consider that the implementation of such policies and measures in achieving our ESG targets will not have any material adverse impact on our Group's operations. Further, by achieving the ESG targets, our Group will be able to reduce the consumption of resources, which will in turn lower our operating costs, thereby enhancing our profitability in the long term.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

Our operations in the PRC

Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC Government imposed lockdown measures in Dongguan, the PRC in the first quarter of 2020. Transport was restricted, major roads and highways were closed and factories were ordered to suspend operations. In response to the requirements of the local government authorities, our production facilities suspended from operations during the lockdown period.

Our Directors consider that impact of the lockdown on our business and financial performance for FY2020 was mitigated taking into consideration the suspension was only temporary and the operations of our production facilities resumed normal since May 2020;

while the temporary suspension in our PRC production facilities hindered the progress of our fabrication works, the overall impact on us was partly mitigated as the structural steel required in some projects were already delivered to Hong Kong by the end of 2019 in view of the forthcoming Chinese New Year holiday in early 2020, and hence we were able to continue with our installation works for such projects during the first quarter of 2020. Once our production facilities resumed normal operations in May 2020, our Group had made efforts to fulfil the project schedule required by our customers. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material delay in fulfilling the project schedule required by our customers. As at the Latest Practicable Date, our Group also did not experience any material delay requested by our customers in relation to our projects on hand.

Subsequent to the withdrawal of the "zero-COVID-19" policy by late 2022, a number of our staff based in the PRC experienced infection which resulted in temporary loss of manpower for our structural steel fabrication and temporary disruption to the operation of our production facilities between November to December 2022. Our business operations in the PRC had resumed to normal by early 2023.

Our operations in Hong Kong

From January 2022 and up to April 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant (the **"Fifth Wave Outbreak"**), as the daily number of confirmed cases increased significantly during the period. Our Group experienced temporary disruption to the transportation of materials from Hong Kong to the PRC and finished products from the PRC to Hong Kong during 2022 since cross-border transportation was significantly disrupted. Our Directors consider that the temporary disruption to the transportation of materials and finished products did not have long-lasting adverse impact on our operation, taking into consideration that (i) cross-border transportation have gradually resumed to normal level as the pandemic came under control in 2022; (ii) as contingency measures, our Group had engaged third party logistics services providers to deliver materials and finished products between Hong Kong and the PRC by sea instead of by road at that time to minimise the impact of such disruption on the supply of raw materials to our production facilities and structural steel to our work sites; and (iii) we were generally able to pass on part of the increase in logistics costs incurred by us from the delivery of materials and finished products between Hong Kong and the PRC by sea to our customers.

Save as disclosed above and based on information available as at the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic did not and will not have material adverse impact on our business operations and financial performance.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed "Risk factors" in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed "Our customers – Customer concentration" above in this section.

(ii) Risk of cost overruns

We estimate our costs to be incurred in a project to determine our tender price and there is no assurance that the actual amount of costs we incur would not exceed our estimation during the course of project implementation. For details of our measures on minimising the risk of cost overruns, please refer to the paragraph headed "Pricing strategy" above in this section.

(iii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Our suppliers – Basis of selecting our subcontractors" and "Quality control – Works performed by subcontractors of construction site works" above in this section.

(iv) Credit risk management

We are subject to risks in relation to the collectability of our trade and other receivables, details of which are summarised in the paragraph headed "Risk factors – We are subject to credit risk in relation to the collectability of our trade receivables and contract assets".

For the purpose of mitigating our exposure to credit risk, our finance and administration staff are responsible for conducting individual credit evaluations on our customers on a regular basis. Prior to accepting work orders from new customers, our finance and accounting staff would check on the background of the potential customer in order to assess their credibility.

Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions having regard to our business relationship with the customer, its history of making payments, its financial position as well as the general economic environment. During the Track Record Period, our follow-up actions for recovering long-overdue payment included active communications, conducting follow up calls with the customers and commencing legal actions. Despite we have actively conducted follow-up actions with our customers in respect of material overdue payments, our Group recorded long overdue payments from a customer during the Track Record Period. In 2022, our Group petitioned to wind-up such customer on insolvency grounds, relying on its debts owed to our Group arising from the subcontract with us. As at 30 September 2023, the trade receivables and retention receivables owing from this customer amounted to approximately HK$2.6 million and HK$1.5 million, respectively, for which impairment provision has been fully provided.

We generally grant our customers a credit term ranging from 30 to 60 days from the invoice date. As at 31 December 2020, 2021 and 2022 and 30 September 2023, we recorded trade receivables (net of provision for impairment) of approximately HK$10.9 million, HK$22.1 million, HK$14.5 million and HK$19.8 million respectively.

To ensure timely identification of doubtful or irrecoverable debts, our finance and administration staff would report to our financial controller on the collection status and ageing analysis of outstanding payments on a regular basis. Trade receivables overdue will be reviewed by our financial controller and, if appropriate, provisions for impairment of trade receivables will be made accordingly.

(v) Liquidity risk management

There are often time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch. In order to manage our liquidity position in view of the aforementioned working capital requirement and the possible cash flow mismatch associated with undertaking contractual works, we have adopted the following measures:

- our financial controller is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;

- as a general policy, we only procure materials on an as-needed basis according to the requirement and schedule of the project to prevent excessive purchases; and

- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, among other things (i) ensuring healthy bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly review of our trade payables and aging analysis to ensure that payments to our suppliers are made on a timely basis.

(vi) Regulatory risk management

We keep ourselves abreast of any changes in government policies, regulations, and licensing requirements in Hong Kong and the PRC in relation to our business operations, as well as the relevant environmental and safety requirements. We will ensure that any changes of the above are closely monitored and communicated to our senior management for proper implementation and compliance.

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/ senior management	Date of joining our Group	Principal responsibilities	Relationship with other Director(s), and/or senior management
Executive Directors						
Mr. Chan Kam Kei (陳鑫基)	48	Executive Director and chief executive officer of our Group	28 June 2023	28 July 1999	Overall management and formulation of business strategies of our Group. He is also the chairperson of our Nomination Committee and a member of our Remuneration Committee	Son of Mr. WH Chan and Ms. Choi, and brother of Mr. Eddie Chan and Ms. Karen Chan
Mr. Chan Kam Kong (陳鑫江)	45	Executive Director and chief operating officer of our Group	28 June 2023	1 September 2003	Overall project management and day-to-day management of the operations of our Group	Son of Mr. WH Chan and Ms. Choi, and brother of Mr. Kelvin Chan and Ms. Karen Chan
Ms. Chan Suk Man (陳淑雯)	43	Executive Director	28 June 2023	2 January 2016	Overall day-to-day management of the operations and administration of our Group	Daughter of Mr. WH Chan and Ms. Choi, and sister of Mr. Eddie Chan and Mr. Kelvin Chan
Non-executive Directors						
Mr. Chan Wing Hong (陳永康)	75	Non-executive Director and chairman of the Board	28 June 2023	28 July 1999	Participating in the decision making of our Board with respect to strategic development of our Group	Spouse of Ms. Choi, and father of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan

Name	Age	Present position	Date of appointment as Director/ senior management	Date of joining our Group	Principal responsibilities	Relationship with other Director(s), and/or senior management
Ms. Choi Chick Cheong (蔡植昌)	72	Non-executive Director	28 June 2023	28 July 1999	Overall corporate strategies	Spouse of Mr. WH Chan, and mother of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan
Independent non-executive Directors						
Mr. Cha Ho Wa (車灝華)	34	Independent non-executive Director	5 February 2024	5 February 2024	Providing independent advice to our Board and serving as the chairperson of our Remuneration Committee and a member of our Audit Committee	Nil
Mr. Yu Chun Kit (余俊傑)	34	Independent non-executive Director	5 February 2024	5 February 2024	Providing independent advice to our Board and serving as the chairperson of our Audit Committee and a member of our Remuneration Committee and Nomination Committee	Nil
Mr. Liu Chi Kwun Albert (廖志崑)	61	Independent non-executive Director	5 February 2024	5 February 2024	Providing independent advice to our Board and serving as a member of our Audit Committee and Nomination Committee	Nil

Name	Age	Present position	Date of appointment as Director/ senior management	Date of joining our Group	Principal responsibilities	Relationship with other Director(s), and/or senior management
Senior management						
Mr. Tam Hon Fai (譚漢輝)	40	Financial controller and company secretary of our Company	1 April 2023	1 April 2023	Financial management and secretarial affairs of our Group	Nil
Mr. Leung Lok Him (梁樂謙)	36	Project manager	1 April 2023	17 August 2015	Overseeing and managing project execution and operation of our Group	Nil

DIRECTORS

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chan Kam Kei (陳鑫基), aged 48, was appointed as a Director on 28 June 2023 and was re-designated as an executive Director on 6 July 2023. Mr. Kelvin Chan also serves as the chief executive officer of our Group, the chairperson of our Nomination Committee and a member of our Remuneration Committee. He is primarily responsible for the overall management and formulation of business strategies of our Group. He is also a director of various subsidiaries of our Company, namely WK Development, Wing Kei Hong Kong and Wing Kei Management. He is the son of Mr. WH Chan and Ms. Choi, and the brother of Mr. Eddie Chan and Ms. Karen Chan. Mr. Kelvin Chan is one of our Controlling Shareholders.

Mr. Kelvin Chan co-founded our Group in July 1999 with Mr. WH Chan, and has since accumulated over 24 years of experience in the structural steelwork industry. Since founding our Group, Mr. Kelvin Chan has been overseeing various aspects of our Group's business including our strategic and corporate development, expansion plans and bidding tenders, and leading our Group to gradually expand our business throughout the years and undertake both private and public projects, including some high-profile projects, the details of which are set out in the paragraph headed "History, development and Reorganisation – Our business development" in this document.

Mr. Kelvin Chan has been a member of the New Territories General Chamber of Commerce（新界總商會）since March 2013 and was a director of the chamber from 2014 to 2016 and 2020 to 2022. He has also been a member of Tsuen Wan Trade Association Limited（荃灣商會有限公司）since April 2016. Mr. Kelvin Chan attended secondary school education in Canada.

Mr. Chan Kam Kong（陳鑫江）, aged 45, was appointed as a Director on 28 June 2023 and was re-designated as an executive Director on 6 July 2023. Mr. Eddie Chan also serves as the chief operating officer of our Group. He is primarily responsible for the overall project management and day-to-day management of the operations of our Group. He is also a director of all our subsidiaries, namely WK Development, Wing Kei Hong Kong, Wing Kei Management and Wing Kei Dongguan. He is the son of Mr. WH Chan and Ms. Choi, and the brother of Mr. Kelvin Chan and Ms. Karen Chan. Mr. Eddie Chan is one of our Controlling Shareholders.

Mr. Eddie Chan joined our Group in September 2003, and has since accumulated nearly 20 years of experience in the structural steelwork industry. Since joining our Group, Mr. Eddie Chan has been overseeing various aspects of our Group's business including our strategic and corporate development, project management and expansion plans. Mr. Eddie Chan has been managing our operations in the PRC.

Mr. Eddie Chan graduated from Centennial College in Canada in April 2003. He has also been a member and executive vice chairman（常務副會長）of the Hong Kong Metals Manufacturers Association（香港金屬製造業協會）and the Dongguan City Association of Enterprises with Foreign Investment Dalingshan Branch（東莞市外商投資企業協會大嶺山分會）since April 2019 and August 2018, respectively.

Ms. Chan Suk Man（陳淑雯）, aged 43, was appointed as a Director on 28 June 2023 and was re-designated as an executive Director on 6 July 2023. She is primarily responsible for the overall day-to-day management of the operations and administration of our Group. She is also a director of various subsidiaries of our Company, namely WK Development, Wing Kei Hong Kong and Wing Kei Management. She is the daughter of Mr. WH Chan and Ms. Choi, and the sister of Mr. Eddie Chan and Mr. Kelvin Chan. Ms. Karen Chan is one of our Controlling Shareholders.

Ms. Karen Chan has over seven years of experience in the structural steelwork industry. Prior to joining our Group in January 2016, Ms. Karen Chan has accumulated over ten years of experience in the finance sector. From March 2005 to August 2009, Ms. Karen Chan worked in the Hong Kong branch of The Royal Bank of Scotland N.V. (formerly known as ABN AMRO Bank N.V.) with her last position as relationship manager of retail and commercial markets in Asia. From December 2010 to February 2012, Ms. Karen Chan worked in Bank of China (Hong Kong) Limited with her last position as business officer in securities services of personal banking and product management. From February 2012 to December 2015, Ms. Karen Chan worked in Hong Kong Exchanges and Clearing Limited with her last position as associate in cash clearing risk management of the global clearing division.

Ms. Karen Chan graduated from the University of Toronto, Canada, with a degree of bachelor of science in June 2004. She further obtained a master's degree of science in mathematics for finance and actuarial science in Hong Kong jointly awarded by the City University of Hong Kong and the Université Paris-Dauphine, France in July 2010.

Non-executive Directors

Mr. Chan Wing Hong (陳永康), aged 75, was appointed as a Director on 28 June 2023 and was re-designated as a non-executive Director on 6 July 2023. Mr. WH Chan also serves as the chairman of our Board. He is primarily responsible for participating in the decision making of our Board with respect to strategic development of our Group. He is also a director of various subsidiaries of our Company, namely WK Development and Wing Kei Hong Kong. He is the spouse of Ms. Choi, and the father of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan. Mr. WH Chan is one of our Controlling Shareholders.

Mr. WH Chan has accumulated over 40 years of experience in structural steel works, metal works and general construction. Mr. WH Chan co-founded our Group in July 1999 with Mr. Kelvin Chan. Since founding our Group, Mr. WH Chan has been overseeing various aspects of our Group's business including our strategic and corporate development, expansion plans and bidding tenders, and leading our Group to gradually expand our business throughout the years and undertake both private and public projects, including some high-profile projects, the details of which are set out in the paragraph headed "History, development and Reorganisation – Our business development" in this document. Prior to founding our Group, from February 1983 to June 1999, Mr. WH Chan worked at Choi Lam Kee Iron Works Limited (currently known as Hang Yick Engineering Limited), a company engaging in iron works. Mr. WH Chan attended secondary school education in Hong Kong.

Ms. Choi Chick Cheong (蔡植昌), aged 72, was appointed as a Director on 28 June 2023 and was re-designated as a non-executive Director on 6 July 2023. She is primarily responsible for the overall corporate strategies of our Group. She is also a director of various subsidiaries of our Company, namely WK Development and Wing Kei Hong Kong. She is the spouse of Mr. WH Chan, and the mother of Mr. Kelvin Chan, Mr. Eddie Chan and Ms. Karen Chan. Ms. Choi is one of our Controlling Shareholders.

Ms. Choi joined our Group in July 1999 and has since accumulated over 24 years of experience in the structural steelwork industry. Since joining our Group, Ms. Choi has been assisting Mr. WH Chan and Mr. Kelvin Chan by providing administrative and secretarial support to our Group. Ms. Choi attended secondary school education in Hong Kong.

Independent non-executive Directors

Mr. Cha Ho Wa (車灝華), aged 34, was appointed as an independent non-executive Director on 5 February 2024. He is the chairperson of our Remuneration Committee and a member of our Audit Committee.

Mr. Cha has over 7 years of experience in the legal field in Hong Kong. Mr. Cha was admitted as a solicitor of the High Court of Hong Kong in October 2018 and he has been a practising solicitor since then. Mr. Cha worked at Messrs. Peter K.S. Chan & Co. since June

2016 with his last position as partner. Since April 2023, Mr. Cha has been working in Messrs. Eddie Lee & Co., Solicitors as senior consultant. In addition, from September 2022 to January 2023, Mr. Cha served as a part-time visiting lecturer at the Community College of the School of Professional and Continuing Education of The University of Hong Kong (HKU SPACE). From December 2021 to December 2022, Mr. Cha was accredited as a general mediator of the Hong Kong Mediation Accreditation Association Limited.

From December 2020 to September 2021, Mr. Cha was an independent non-executive director of China Oil Gangran Energy Group Holdings Limited (currently known as Century Energy International Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8132). Since September 2023, Mr. Cha has been an independent non-executive director of Vision International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8107).

Mr. Cha graduated from the Chinese University of Hong Kong with a bachelor's degree of arts in November 2013, and further obtained a degree of Juris Doctor and a Postgraduate Certificate in Laws from The Chinese University of Hong Kong in November 2015 and July 2016, respectively.

Mr. Yu Chun Kit (余俊傑), aged 34, was appointed as an independent non-executive Director on 5 February 2024. He is the chairperson of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

Mr. Yu has over 12 years of experience in corporate finance, accounting and auditing. Mr. Yu worked at BDO Limited from October 2011 to July 2014, with his last position as senior associate. From July 2014 to August 2015, Mr. Yu worked at KPMG with his last position as assistant manager. From December 2016 to December 2017, Mr. Yu worked at Kingston Corporate Finance Limited as assistant manager. Mr. Yu has been the financial controller and company secretary of Mannings (Asia) Consultants Limited, being a subsidiary of Boltek Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8601), and Boltek Holdings Limited since January 2018 and April 2018, respectively. In addition, Mr. Yu has been a company secretary of Global Uin Intelligence Holdings Limited (formerly known as Global Dining Holdings Limited and Singapore Food Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8496), since September 2019.

Since April 2022, Mr. Yu has been an independent non-executive director of Sinohope Technology Holdings Limited (formerly known as New Huo Technology Holdings Limited and Huobi Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1611).

Mr. Yu graduated from the Hong Kong Polytechnic University with a degree of bachelor of business administration in accounting and finance in October 2011. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2015.

Mr. Liu Chi Kwun Albert (廖志崑), aged 61, was appointed as an independent non-executive Director on 5 February 2024. He is a member of our Audit Committee and Nomination Committee.

Mr. Liu has over 37 years of experience in structural engineering. From January 1986 to December 1987, Mr. Liu worked at Camp Scott Furphy Pty. Ltd. in Sydney, Australia as a graduate engineer. From January 1988 to April 1989, Mr. Liu worked at Bernard Leung & Partners as a project engineer. Prior to co-founding Liu Hok Yan & Associates Limited in July 1995 and subsequent to his departure from Bernard Leung & Partners in April 1989, Mr. Liu worked at Fugro (Hong Kong) Limited with his last position as senior engineer. In July 1995, Mr. Liu co-found Liu Hok Yan & Associates Limited and has been working as director since then. Mr. Liu re-joined Fugro (Hong Kong) Limited in June 1996 and left in June 1999 with his last position as associate director. In October 1997, Mr. Liu founded Albert Liu & Associates Limited (formerly known as LC Design Consultants Limited) and has been working as director since then.

Mr. Liu graduated from the University of Sydney, Australia, with a degree of bachelor of science in March 1984 and further obtained a degree of bachelor of engineering in civil engineering from the same university in March 1986. Mr. Liu has been a registered structural engineer, an authorised person (list of engineers) and a registered inspector (list of engineers) under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since November 1994, April 1999 and November 2015, respectively. Mr. Liu has been a member of the Institution of Structural Engineers and the Hong Kong Institution of Engineers since November 1989 and May 1993, respectively. In addition, Mr. Liu has been a PRC registered structural engineer (Class 1)（中華人民共和國一級註冊結構工程師）since March 2008.

Save as disclosed above, each of our Directors has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Mr. WH Chan was a director of the following company prior to its dissolution. Mr. WH Chan confirmed that the company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. Mr. WH Chan also confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Gar Hin Engineering Limited	Hong Kong	Provision of metal works	31 December 2004	Cessation of business	Deregistration

Mr. Kelvin Chan was a director of the following company prior to its dissolution. Mr. Kelvin Chan confirmed that the company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. Mr. Kelvin Chan confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Fully Zone Limited	Hong Kong	Dormant	24 July 2015	No business operation commenced since its incorporation	Deregistration

Mr. Yu Chun Kit was a director of the following company prior to its dissolution. Mr. Yu Chun Kit confirmed that the company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. Mr. Yu Chun Kit also confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
AA Food Company Limited	Hong Kong	Dormant	11 August 2023	No business operation commenced since its incorporation	Deregistration

Mr. Liu Chi Kwun Albert was a director of the following companies prior to their dissolutions. Mr. Liu Chi Kwun Albert confirmed that the companies were solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on his part leading to the dissolutions and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the companies. Mr. Liu Chi Kwun Albert also confirmed that the companies had no material non-compliance prior to their respective dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Melbourne Books Distribution Limited	Hong Kong	Book distribution	6 July 2012	Cessation of business	Deregistration
Melbourne Education (Holdings) Limited	Hong Kong	Dormant	29 January 2010	No business operation commenced since its incorporation	Deregistration
Melbourne e-Learning Limited	Hong Kong	Dormant	29 January 2010	No business operation commenced since its incorporation	Deregistration
Melbourne Education Centre Limited	Hong Kong	Dormant	29 January 2010	No business operation commenced since its incorporation	Deregistration
Ultra Rigid Building Contractors Limited	Hong Kong	Building construction	17 October 2003	Cessation of business	Deregistration

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (b) he/she does not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (c) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed "C. Further information about our Directors and substantial shareholders – 1. Disclosure of Interests" in Appendix V to this document; (d) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules; and (e) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 25 July 2023; and (ii) understood his or her obligations as a director of a **[REDACTED]** under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his independence at the time of his appointment.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the **[REDACTED]**.

SENIOR MANAGEMENT

Mr. Tam Hon Fai (譚漢輝), aged 40, is the financial controller of our Group and the company secretary of our Company and is responsible for the financial management and secretarial affairs of our Group.

Mr. Tam worked at Deloitte Touche Tohmatsu from September 2006 to August 2011 in the audit department. From January 2012 to November 2022, Mr. Tam acted as an audit partner of CTY & Co, a CPA firm. Since August 2017, Mr. Tam has been a director of JMG Corporate Advisory Limited, a firm principally engaged in the provision of corporate advisory services. Since June 2020, Mr. Tam has been a director of Marksman Services Group Limited, a firm principally engaged in provision of corporate advisory services. Since October 2020, Mr. Tam has acted as a director of IPA CPA Limited.

Mr. Tam has served different roles in various listed companies as follows:

Period	Company name, stock code and venue of listing	Position
December 2011 to July 2013	Noble House (China) Holdings Limited (currently known as Zhonghua Gas Holdings Limited) (stock code: 8246), a company listed on GEM of the Stock Exchange	Company secretary
February 2014 to September 2014	Bamboos Health Care Holdings Limited (stock code: 2293), a company then listed on GEM of the Stock Exchange in July 2014 which transferred its listing to the Main Board in March 2017	Financial controller
Since August 2019	S&T Holdings Limited (stock code: 3928), a company listed on the Main Board of the Stock Exchange	Independent non-executive director
December 2020 to February 2022	Sino Vision Worldwide Holdings Limited, a company previously listed on GEM of the Stock Exchange (stock code: 8086) until 4 July 2023	Company secretary

Mr. Tam obtained a degree of bachelor of business administration in accounting from the Hong Kong University of Science and Technology in May 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010 and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Leung Lok Him (梁樂謙), aged 36, is the project manager of our Group and is responsible for overseeing and managing project execution and operation of our Group.

Mr. Leung has over seven years of experience in the structural steelwork industry. He first joined our Group in October 2012 until June 2014 as project engineer. Mr. Leung re-joined our Group in August 2015 as project engineer and was promoted to his current position in April 2023.

Mr. Leung obtained a degree of bachelor of engineering in mechanical engineering from The Hong Kong University of Science and Technology in April 2010. From October 2010 to October 2012, he worked in Genetron Engineering Company Limited with his last position as assistant engineer. From June 2014 to July 2015, he worked in Leighton Contractors (Asia) Limited with his last position as engineer.

Save as disclosed above, each of our senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Tam Hon Fai (譚漢輝) is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his background and experience, please refer to the paragraph headed "Senior management" above in this section.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules pursuant to a resolution of our Directors passed on 5 February 2024. The primary duties of our audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of our Company and perform other duties and responsibilities assigned by our Board.

At present, our audit committee comprises Mr. Yu Chun Kit, Mr. Cha Ho Wa and Mr. Liu Chi Kwun Albert, all being our independent non-executive Directors. Mr. Yu Chun Kit is the chairperson of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 5 February 2024 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph E.1.2 of part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of our remuneration committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determine their own remuneration.

At present, our remuneration committee comprises Mr. Cha Ho Wa and Mr. Yu Chun Kit, being our independent non-executive Directors, and Mr. Kelvin Chan, being our executive Director. Mr. Cha Ho Wa is the chairperson of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 5 February 2024 with written terms of reference in compliance with paragraph B.3.1 of part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of our nomination committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises Mr. Yu Chun Kit and Mr. Liu Chi Kwun Albert, being our independent non-executive Directors, and Mr. Kelvin Chan, being our executive Director. Mr. Kelvin Chan is the chairperson of our nomination committee.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. Our Company recognises the benefits of having a diversified Board. In summary, our board diversity policy sets out that when considering the nomination and appointment of a director, with the assistance of our nomination committee, our Board would consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of perspectives that the candidate is expected to bring to our Board and what would be the candidate's potential contributions, in order to better serves the needs and development of our Company. Our board diversity policy also seeks to attract, retain and motivate our Directors and other staff from the widest pool of available talent. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

COMPLIANCE ADVISER

Our Company has appointed Grande Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the **[REDACTED]** and ending on the date on which our Company distributes annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. Such appointment may be subject to extension by mutual agreement.

Pursuant to Rule 3A.23 of the Listing Rules, our Company shall seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to their performance. Our Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and performance of our Group.

After the **[REDACTED]**, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

For each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our Directors by our Group was approximately HK$7.5 million, HK$8.6 million, HK$8.6 million and HK$5.3 million, respectively.

For each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our five highest paid individuals (including our Directors) by our Group was approximately HK$7.8 million, HK$8.8 million, HK$8.9 million and HK$5.5 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by our Group to our Directors and our five highest paid individuals in respect of each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors for FY2023 will be approximately HK$9.0 million. Upon completion of the **[REDACTED]**, our Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or our five highest individuals as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on our five highest paid individuals, please refer to the Accountant's Report set out in Appendix I to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed "D. Share Option Scheme" in Appendix V to this document.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), our Company will be owned as to **[REDACTED]** by WK (BVI). WK (BVI) is an investment holding company incorporated in BVI and is owned as to 30% by Mr. Kelvin Chan, 30% by Mr. Eddie Chan, 15% by Mr. WH Chan, 15% by Ms. Choi and 10% by Ms. Karen Chan. On the basis that Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan hold their respective interests in our Company through a common investment holding company, i.e. WK (BVI), which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company, WK (BVI), Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan are regarded as a group of Controlling Shareholders under the Listing Rules.

Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan are also the executive Directors, whereas Mr. WH Chan and Ms. Choi are also the non-executive Directors. In addition, Mr. WH Chan is the chairman of our Board and Mr. Kelvin Chan is the chief executive officer of our Group. For details of their background and experience, please refer to the paragraph headed "Directors and senior management – Directors" in this document.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Save as disclosed in the paragraph headed "Transactions entered into before the **[REDACTED]** which would otherwise constitute connected transactions" in this section below, our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholders upon or shortly after the **[REDACTED]**.

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Management independence

Our Group has an independent management team comprising our executive Directors and senior management who have substantial experience in the business of our Group. Our management team is able to implement the policies and strategies of our Group and perform its roles in our Company independently.

Our Group aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our Group's overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Further, each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan are required to abstain from voting at the Board meetings due to potential conflict(s) of interest, our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that our Group is capable of managing our business independently of our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, our Group holds all relevant licences necessary to carry on our businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal control procedures to facilitate the effective operation of our businesses.

Save as disclosed in the paragraph headed "Transactions entered into before the **[REDACTED]** which would otherwise constitute connected transactions" in this section below, our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the **[REDACTED]**.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. Our Group makes financial decisions according to our own business needs.

The accounting and finance department of our Group will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan and Mr. WH Chan had provided personal guarantees, while Wealthy River International Investment Limited, a company owned as to one-third by Mr. Kelvin Chan, one-third by Mr. Eddie Chan and one-third by Ms. Karen Chan, together with Mr. WH Chan and Ms. Choi had provided securities, for the banking facilities granted to our Group. All such personal guarantees and securities will be replaced by a corporate guarantee given by our Company or released or otherwise settled in full before or upon the **[REDACTED]**.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the business operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence from major suppliers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers of our Group (other than business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Independence from major customers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

TRANSACTIONS ENTERED INTO BEFORE THE [REDACTED] WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

During the Track Record Period and prior to the **[REDACTED]**, we entered into the following transaction with Wealthy River International Investment Limited ("**Wealthy River**"), being a connected person (as defined under the Listing Rules) of our Company after the **[REDACTED]**. This transaction is accounted as one-off in nature under HKFRS 16. If this transaction was entered into after the **[REDACTED]**, such transaction would constitute a connected transaction under Chapter 14A of the Listing Rules. Details of such transaction are set out below:

Connected person

Upon the **[REDACTED]**, Wealthy River, which has entered into the following tenancy agreement with our Group, will be our connected person. Wealthy River is owned as to one-third, one-third and one-third by Mr. Kelvin Chan (an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders), Mr. Eddie Chan (an executive Director and one of our Controlling Shareholders) and Ms. Karen Chan (an executive Director and one of our Controlling Shareholders), respectively. Therefore, Wealthy River is a connected person of our Company pursuant to the Listing Rules.

Tenancy Agreement

As at the Latest Practicable Date, our Group has leased certain properties from Wealthy River under a tenancy agreement (the "**Tenancy Agreement**"), the details of which are set out as follows:

Date of the Tenancy Agreement:	29 November 2023
Landlord:	Wealthy River
Tenant:	Wing Kei Hong Kong
Property addresses:	Rooms 1510-1512 and 1520, Fortune Commercial Building and parking lot nos. 315, 316 and 201, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong
Approximate area:	1,896 sq.ft.
Term:	1 January 2024 to 31 December 2024
Total rental:	HK$540,000
Use of the property:	Office and car parking space

Basis in determining the rental payable

The rental payable under the Tenancy Agreement was determined after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity.

Reasons for the transaction

Our Group has historically been using the properties under the Tenancy Agreement as our offices and car parking spaces. Having considered that the rental of the properties under the Tenancy Agreement was comparable to the prevailing market rates in respect of similar premises in the vicinity, and the Tenancy Agreement was entered into in the ordinary and usual course of our business, on terms no less favourable to us than those available from Independent Third Parties, our Directors consider that the terms of the Tenancy Agreement are fair and reasonable and it is in the interests of our Company and our Shareholders as a whole to continue using the properties under the Tenancy Agreement as our offices and car parking spaces.

Accounting treatment of the Tenancy Agreement

Our Group has consistently applied HKFRS 16 in the preparation of the financial information of our Group throughout the Track Record Period, pursuant to which, at the commencement date of a lease, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transaction under the Tenancy Agreement would be regarded as an acquisition of assets by the tenant for the purpose of the Listing Rules.

Listing Rules implications

As each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the value of the right-of-use asset of the properties under the Tenancy Agreement was less than 5% and the value of the right-of-use asset was less than HK$3.0 million, the relevant transaction would constitute a *de minimis* connected transaction under Rules 14A.76 of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be **[REDACTED]** on the **[REDACTED]** at the time of the relevant transactions.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which is expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group:

Person / corporation	Capacity / nature of interest	Number of Shares interested in as at the date of submission of the application for the [REDACTED]	Number of Shares interested in immediately after the completion of the [REDACTED] and the [REDACTED] *(Note 1)*	Percentage of interests in our Company immediately after the completion of the [REDACTED] and the [REDACTED]
WK (BVI)	Beneficial owner *(Note 2)*	One Share	**[REDACTED]** (L)	**[REDACTED]**
Mr. Kelvin Chan	Interest in controlled corporation *(Notes 2 and 4)*	One Share	**[REDACTED]** (L)	**[REDACTED]**
Mr. Eddie Chan	Interest in controlled corporation *(Note 2 and 5)*	One Share	**[REDACTED]** (L)	**[REDACTED]**
Ms. Karen Chan	Interest in controlled corporation *(Note 2)*	One Share	**[REDACTED]** (L)	**[REDACTED]**
Mr. WH Chan	Interest in controlled corporation/Interest of spouse *(Notes 2 and 3)*	One Share	**[REDACTED]** (L)	**[REDACTED]**
Ms. Choi	Interest in controlled corporation/Interest of spouse *(Notes 2 and 3)*	One Share	**[REDACTED]** (L)	**[REDACTED]**

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.

2. Our Company will be owned as to **[REDACTED]** by WK (BVI) immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme). WK (BVI) is owned as to 30% by Mr. Kelvin Chan, 30% by Mr. Eddie Chan, 15% by Mr. WH Chan, 15% by Ms. Choi and 10% by Ms. Karen Chan. By virtue of the SFO, Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan are deemed to be interested in the same number of Shares held by WK (BVI).

3. Mr. WH Chan and Ms. Choi are spouses. Under the SFO, Mr. WH Chan is deemed to be interested in the same number of Shares in which Ms. Choi is interested, and Ms. Choi is deemed to be interested in the same number of Shares in which Mr. WH Chan is interested.

4. Ms. Tang Wing Yee Jenny（鄧詠儀）is the spouse of Mr. Kelvin Chan. Under the SFO, Ms. Tang Wing Yee Jenny is deemed to be interested in the same number of Shares in which Mr. Kelvin Chan is interested.

5. Ms. Fong Ying Wah（方映華）is the spouse of Mr. Eddie Chan. Under the SFO, Ms. Fong Ying Wah is deemed to be interested in the same number of Shares in which Mr. Eddie Chan is interested.

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after the completion of the **[REDACTED]** and the **[REDACTED]**.

Authorised share capital:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000

Assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Company's issued share capital immediately after the completion of the **[REDACTED]** and the **[REDACTED]** will be as follows:

Shares		*HK$*
1	Share in issue as at the Latest Practicable Date	0.01
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Shares in total**	**[REDACTED]**

Assuming the **[REDACTED]** is exercised in full and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the issued share capital of our Company immediately after the completion of the **[REDACTED]** and the **[REDACTED]** will be as follows:

Shares		*HK$*
1	Share in issue as at the Latest Practicable Date	0.01
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued upon exercise of the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Shares in total**	**[REDACTED]**

ASSUMPTIONS

The above tables assume that the **[REDACTED]** becomes unconditional and Shares are issued pursuant to the **[REDACTED]**. It does not take into account of any Share that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM [REDACTED]

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of **[REDACTED]** and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least **[REDACTED]**% of the total number of issued Shares in the hands of the **[REDACTED]**.

RANKING

The **[REDACTED]** are ordinary Shares and will rank equally with all Shares in issue or to be issued as mentioned in this document and will qualify for all dividends or other distributions declared, paid or made on our Shares in respect of a record date which falls after the date of this document save for the entitlement under the **[REDACTED]**.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this document.

Our Company did not have any outstanding share option, warrant, convertible instrument or similar right convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

(a) 20% of the total number of Shares in issue immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and

(b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Scheme and any option scheme(s) or similar arrangement for the time being adopted.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our next annual general meeting;

(b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or

(c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this general mandate are set out in the paragraph headed "A. Further Information about our Group — 5. Written resolutions of our sole Shareholder passed on 5 February 2024" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose in accordance with the applicable laws and requirements of the Stock Exchange (or such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group — 6. Repurchase of our Shares" in Appendix V to this document.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our next annual general meeting; or

(b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or

(c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this repurchase mandate are set out in the paragraph headed "A. Further information about our Group — 6. Repurchase of our Shares" in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in Appendix IV to this document.

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountant's Report included as Appendix I to this document and our selected historical consolidated financial information and operating data included elsewhere in this document. Our consolidated financial information has been prepared in accordance with HKFRS issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, development and Reorganisation" in this document.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" in this document for discussions of those risks and uncertainties.

OVERVIEW

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. We were established in 1999 and have since undertaken structural steelwork in the role of subcontractor. With two production facilities in Dongguan, the PRC, we possess our in-house capacity to process and fabricate structural steel tailored to the specifications of our customers. All of our structural steel production capacity is currently used to cater to our own project needs. During each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group derived revenue from the provision of structural steelwork in Hong Kong of approximately HK$324.3 million, HK$228.8 million, HK$336.4 million and HK$235.0 million, respectively.

During the Track Record Period, we had a total of 73 projects with revenue contribution to us. As at the Latest Practicable Date, we had 22 projects on hand. Our value of backlog as at 31 December 2020, 2021 and 2022 and 30 September 2023 amounted to approximately HK$505.3 million, HK$425.9 million, HK$253.5 million and HK$668.9 million, respectively.

For further information about our business and operations, please refer to the section headed "Business" in this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of factors as mentioned in the section headed "Risk factors" in this document, and in particular, the following:

Availability of public sector projects in Hong Kong

During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. Our public sector projects mainly involved infrastructure and public facilities as well as public residential developments. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we derived approximately 44.1%, 66.3%, 84.6% and 83.2% of our revenue from public sector projects. The nature, extent and timing of available public sector structural steelwork projects is determined by an interplay of a variety of factors, including the Hong Kong government's policies on the infrastructure and public facilities development, its land supply and public housing policy and the general conditions and prospects of the Hong Kong's economy. In the event the Hong Kong government reduces its expenditure on or changes its policy in relation to public residential and/or infrastructure and public facilities developments, the number of available public sector structural steelwork projects may decrease and our business, financial condition and results of operations may be materially and adversely affected.

There is no guarantee that our customers will provide us with new businesses

Our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, we recorded a tender success rate of approximately 16.7%, 8.9%, 10.1% and 11.5%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our pricing and tender strategy, competitors' tender and pricing strategy, the availability of our resources and subcontractors, level of competition and our customers' evaluation standards. Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

Price fluctuations of materials used for our structural steel fabrication

Steel is the principal type of material used for our structural steel fabrication. Key factors affecting the purchase price of materials include supply and demand in the market and market competition, many of which are beyond our control. According to the Industry Report, the price index of steel plates increased from 117.7 in 2018 to 196.3 in 2022, at a CAGR of approximately 13.6%. Specifically, the price index of steel plates in Hong Kong recorded a significant increase from 123.1 in 2020 to 184.3 in 2021, representing an annual growth rate of approximately 49.7%, primarily due to the decrease in steel production, the cancellation of export tax rebates of exported steel and the increase in export tariffs on major components of steel in the PRC. The price index of steel plates in Hong Kong further increased to 196.3 in 2022, representing an increase of approximately 6.5% as compared to 184.3 in 2021. Such increase in price of steel was primarily due to further decrease in steel production in the PRC in 2022 and the impact from the fifth wave outbreak of COVID-19. The price index of steel plates in Hong Kong is expected to decrease from 196.3 in 2022 to 171.0 in 2023 as a result of the relaxation of measures imposed by the PRC Government on containing the outbreak of COVID-19 which contributed to an increase in the supply of steel from the PRC. For further details on the historical price trend of our materials, please refer to the paragraph headed "Industry overview – Cost structure analysis" in this document.

We purchase materials from our suppliers on an order-by-order basis. We did not enter into any long-term supply agreement with our suppliers and we did not engage in any hedging activities to minimise the risk of price fluctuation of materials. Price fluctuations of our principal types of materials will affect our structural steel fabrication costs. We cannot assure you that we will be able to transfer any increase in cost of materials to our customers in a timely manner or at all. There is no guarantee that the cost of materials will remain stable in the future, or that any increase in price of materials will not lead to unexpected and potentially significant increase in our production costs. If we are unable to transfer the increase in cost of materials to our customers in a timely manner or at all, our profitability and profit margins may be adversely affected.

Inflation in the PRC could increase our production costs

Inflation rates in the PRC have been volatile in recent years. Increasing inflation in the PRC could cause a rise in the rental costs, wages, materials and other expenses, which will in turn increase our structural steel fabrication costs. We cannot assure you that the volatility in inflation rates will not continue in the future and/or we will be able to transfer any increase in structural steel fabrication costs resulting from inflation in the PRC to our customers in a timely manner or at all. If we are unable to transfer the increase in structural steel fabrication costs to our customers in a timely manner or at all, our profitability and profit margins may be adversely affected.

Fluctuation in our cost of services

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

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of cost of materials, subcontracting fees and direct labour costs (being the major components of our cost of services) on our profit before income tax expense during the Track Record Period. The hypothetical fluctuation rate for cost of materials is set at 13.6%, which corresponds to the CAGR for the price of steel plates (being the major components of our cost of materials) in Hong Kong from 2018 to 2022 as stated in the Industry Report (please refer to the paragraph headed "Industry overview – Cost structure analysis" in this document) and is therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rate for subcontracting fees and direct labour costs is set at 1.2%, which corresponds to the CAGR of the average daily wage of workers engaged in structural steelwork market in Hong Kong from 2018 to 2022 as stated in the Industry Report (please refer to the paragraph headed "Industry overview – Cost structure analysis" in this document) and is therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our cost of materials	**-13.6%**	**+13.6%**
Increase/(decrease) in profit before income tax expense *(Note)*	*HK$'000*	*HK$'000*
FY2020	20,476	(20,476)
FY2021	8,468	(8,468)
FY2022	10,024	(10,024)
Nine months ended 30 September 2023	11,688	(11,688)

Hypothetical fluctuations in our subcontracting fees	**-1.2%**	**+1.2%**
Increase/(decrease) in profit before income tax expense *(Note)*	*HK$'000*	*HK$'000*
FY2020	910	(910)
FY2021	743	(743)
FY2022	1,264	(1,264)
Nine months ended 30 September 2023	754	(754)

Hypothetical fluctuations in our direct labour costs	**-1.2%**	**+1.2%**
Increase/(decrease) in profit before income tax expense *(Note)*	*HK$'000*	*HK$'000*
FY2020	275	(275)
FY2021	486	(486)
FY2022	420	(420)
Nine months ended 30 September 2023	244	(244)

Note: Our profit before income tax was approximately HK$43.4 million, HK$20.9 million, HK$46.5 million and approximately HK$20.8 million for each of FY2020, FY2021 and FY2022 and the nine months ended 30 September 2023, respectively.

BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Please refer to Note 1.3 of the Accountant's Report set out in Appendix I to this document.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial information of our Group are in accordance with HKFRS. The critical accounting estimates and accounting policies adopted by our Group are set forth in detail in the notes to the Accountant's Report set out in Appendix I to this document.

Some of the accounting policies involve judgements, estimates and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 4 to the Accountant's Report set out in Appendix I to this document.

Revenue recognition

Our Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of structural steelwork. The progress is determined by the aggregated cost for the individual performance obligation incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date which contributes to our Group's progress in satisfying the performance obligation and the budgeted cost is primarily based on construction contract budget and actual cost summary prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress. Because of the nature of the activities undertaken in the construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Our Group regularly reviews and revises the estimation of contract cost in the budget prepared for each construction contract as the contract progresses.

Impairment

Our Group assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

For other financial assets at amortised cost, including deposits and other receivables, management considers that their credit risks have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of comprehensive income for FY2020, FY2021 and FY2022 and the nine months ended 30 September 2023 are summarised below, which have been extracted from the Accountant's Report set out in Appendix I to this document:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	324,292	228,776	336,384	251,561	235,038
Cost of services	(269,254)	(193,359)	(269,445)	(202,279)	(188,044)
Gross profit	55,038	35,417	66,939	49,282	46,994
Other income	1,283	133	2,611	2,579	40
Other gain/(loss), net	112	159	123	86	(540)
Administrative expenses	(12,695)	(14,670)	(19,078)	(13,441)	(12,075)
[REDACTED]	–	–	–	–	(12,184)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets	162	383	(3,800)	(3,778)	(1,102)
Operating profit	43,900	21,422	46,795	34,728	21,133
Finance income	23	39	95	38	182
Finance costs	(496)	(526)	(434)	(281)	(544)
Finance costs, net	(473)	(487)	(339)	(243)	(362)
Profit before income tax expense	43,427	20,935	46,456	34,485	20,771
Income tax expense	(6,721)	(3,599)	(7,191)	(5,629)	(5,656)
Profit for the year/period attributable to owners of the Company	36,706	17,336	39,265	28,856	15,115
Other comprehensive (losses)/income:					
Item that may be reclassified to profit or loss:					
Currency translation differences	(1,149)	(636)	1,482	1,829	826
Total comprehensive income for the year/period attributable to owners of the Company	35,557	16,700	40,747	30,685	15,941

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We are a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel. During the Track Record Period, our Group's revenue was derived from our services for the provision of structural steelwork in Hong Kong. For detailed breakdowns of our revenue during the Track Record Period by reference to project sectors and the types of development involved, please refer to the paragraphs headed "Business – Business overview" and "Business – Projects undertaken during the Track Record Period" in this document.

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

Cost of services

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

							For the nine months ended 30 September			
	FY2020		FY2021		FY2022		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Cost of materials	150,560	55.9	62,266	32.2	73,708	27.3	48,694	24.1	85,938	45.7
Subcontracting fees	75,859	28.2	61,933	32.0	105,302	39.1	83,890	41.5	62,831	33.4
Direct labour costs	22,950	8.5	40,502	21.0	35,021	13.0	26,722	13.2	20,302	10.8
Transportation	4,461	1.7	5,457	2.8	12,037	4.5	9,906	4.9	3,627	1.9
Testing expenses	4,263	1.6	3,055	1.6	3,175	1.2	1,954	1.0	2,636	1.4
Depreciation	3,716	1.4	4,255	2.2	4,492	1.7	3,187	1.6	3,850	2.0
Machinery service fees	2,956	1.1	9,290	4.8	28,411	10.5	21,429	10.6	6,500	3.5
Consultancy fees	385	0.1	955	0.5	1,510	0.6	1,288	0.6	361	0.2
Others	4,104	1.5	5,646	2.9	5,789	2.1	5,209	2.5	1,999	1.1
	269,254	100.0	193,359	100.0	269,445	100.0	202,279	100.0	188,044	100.0

Our cost of services during the Track Record Period comprised:

(a) Cost of materials

It represents costs for procuring materials required for performing our structural steelwork. Steel represents the major type of material sourced by us.

(b) Subcontracting fees

It represents the costs for engaging subcontractors for carrying out (i) construction site works, and (ii) structural steel fabrication works. For subcontractors of construction site works, the scope of services are determined according to our customers' specifications, drawings and requirements. The construction site works undertaken by our subcontractors mainly include installation, touch-up painting and fire protection works for our fabricated structural steel. For subcontractors of structural steel fabrication works, we outsource all required galvanising works to our subcontractors in the PRC to achieve optimisation in our production. Further, depending on our production capacity, we may also subcontract other parts of structural steel fabrication works to our subcontractors in the PRC. For further detail of our subcontractors, please refer to the paragraph headed "Business – Our suppliers" in this document.

(c) Direct labour costs

It represents our salaries and benefits provided to our staff who were directly involved in carrying out structural steelwork, and our staff who were responsible for project management and supervision, engineering, production, drawing, quality control and site works.

(d) Transportation

It represents costs of engaging third party logistics service providers for (i) the delivery of materials from Hong Kong to our production facilities in the PRC; and (ii) the delivery of our finished structural steel products from our production facilities in the PRC to the relevant construction sites in Hong Kong.

(e) Testing expenses

It represents costs of engaging external laboratory selected by the Hong Kong government or by us to conduct testing of materials and engaging third party testing service providers to conduct weld testing.

(f) Depreciation

It represents the depreciation charges for our plant and equipment and right-of-use assets which included our leasehold land and leased production facilities in the PRC.

(g) Machinery service fees

It represents costs in relation to hiring of machinery necessary for carrying out our construction works, such as cranes and lifting machines.

(h) Consultancy fees

It mainly represents (i) services provided by external technical engineering consultant to assist with our technical submissions to our customers on a case-by-case basis; and (ii) services provided by external safety consultant to assist with our safety supervision on a case-by-case basis.

(i) Others

It represents various miscellaneous expenses relevant to the provision of our works, such as utilities expenses of our leased production facilities in the PRC, repair and maintenance and sundry expenses.

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

Gross profit and gross profit margin

	FY2020		FY2021		FY2022		For the nine months ended 30 September 2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Public sector projects	25,205	17.6	25,989	17.1	59,738	21.0	42,971	20.6	40,989	21.0
Private sector projects	29,833	16.5	9,429	12.2	7,201	13.9	6,311	14.7	6,005	15.2
	55,038	17.0	35,417	15.5	66,939	19.9	49,282	19.6	46,994	20.0

Our gross profit margin for public sector projects remained relatively stable at approximately 17.6% and 17.1% for FY2020 and FY2021, respectively. Our gross profit margin for public sector projects increased to approximately 21.0% for FY2022. The relatively higher gross profit margin for public sector projects for FY2022 was mainly attributable to a substantial amount of works was performed for projects with relatively higher gross profit margin during FY2022, namely (i) Project No. #09; (ii) Project No. #11; and (iii) a public sector project with an estimated contract sum of approximately HK$18.6 million, involving a residential development in Diamond Hill, from Sun Fook Kong Construction Limited. Please refer to the paragraph headed "Period-to-period comparison of results of operations – FY2022 compared with FY2021 – Gross profit and gross profit margin" below in this section for further details. Our gross profit margin for public sector projects for the nine months ended 30 September 2022 and 2023 remained relatively stable at approximately 20.6% and 21.0%, respectively.

Our gross profit margin for private sector projects decreased from approximately 16.5% for FY2020 to approximately 12.2% for FY2021 and increased to approximately 13.9% for FY2022. The relatively lower gross profit margin for private sector projects for FY2021 and FY2022 was mainly attributable to a substantial amount of works was performed for a project with relatively lower gross profit margin during FY2021 and FY2022, namely Project No. #07, being a private sector commercial development project located at Quarry Bay and one of our Group's top five projects for FY2021 and FY2022. Subsequent to the commencement of Project No. #07, our Group was informed by Hip Hing Group, being our customer for Project No. #07, that the installation works involved thereunder required steel plates with thinner thickness measurement. Such thinner thickness measurement specifications of the steel plates required higher standards of workmanship as well as more complicated fabrication and installation processes. As a result, to the best estimation of our Directors, our Group had incurred additional costs of approximately HK$3.5 million in aggregate for FY2021 and FY2022 owing to the unexpected complexity encountered when our Group carried out the fabrication and installation of structural steel works involved under Project No. #07. Project No. #07 contributed gross profit of approximately HK$2.0 million and HK$1.9 million to our Group for FY2021 and FY2022, respectively. Our gross profit margin for private sector projects for the nine months ended 30 September 2022 and 2023 remained relatively stable at approximately 14.7% and 15.2%, respectively.

For the fluctuation of our Group's overall gross profit and overall gross profit margin during the Track Record Period, please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section.

Other income and other gain/(loss), net

The table below sets forth a breakdown of our other income and other gain/(loss), net during the Track Record Period:

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income					
Government grants	1,283	133	2,611	2,579	40
Other gain/(loss), net					
Change in value of life insurance contracts	112	123	100	86	(461)
Gain/(loss) on disposal of property, plant and equipment	–	–	23	–	(79)
Others	–	36	–	–	–
	112	159	123	86	(540)
	1,395	292	2,734	2,665	(500)

Our other income and other gain/(loss), net during the Track Record Period mainly comprised:

(a) Government grants

It mainly represents the wage subsidy granted under the Employment Support Scheme under the Anti-Epidemic Fund. Subsidies are offered to employers who have employed regular employees and paid MPF for them. Wage subsidies were granted to our Group for the use of paying wages and MPF of regular employees from June 2020 to November 2020 and from May 2022 to July 2022.

(b) Change in value of life insurance contracts

It represents changes to the cash surrender value at each balance sheet date as recognised during each reporting period. Our Group has invested in certain key management life insurance contracts, which contain both investment and insurance elements. The life insurance contracts are initially recognised at the amount of premium paid, and subsequently measured at each balance sheet date at its cash surrender value.

Administrative expenses

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

							For the nine months ended 30 September			
	FY2020		**FY2021**		**FY2022**		**2022**		**2023**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Staff costs (including directors' remunerations)	9,589	75.5	10,536	71.8	10,779	56.5	6,768	50.4	7,061	58.5
Motor vehicle expenses	1,459	11.5	1,450	9.9	2,099	11.0	973	7.2	1,039	8.6
Depreciation	983	7.7	875	6.0	896	4.7	659	4.9	681	5.6
Entertainment expenses	379	3.0	471	3.2	304	1.6	185	1.4	226	1.9
Insurance	362	2.9	418	2.9	286	1.5	264	2.0	285	2.4
Legal and professional fees	305	2.4	355	2.4	455	2.4	350	2.6	302	2.5
Exchange differences	(1,985)	(15.6)	(1,109)	(7.6)	2,701	14.1	3,108	23.1	803	6.6
Other expenses	1,603	12.6	1,674	11.4	1,558	8.2	1,134	8.4	1,678	13.9
	12,695	100.0	14,670	100.0	19,078	100.0	13,441	100.0	12,075	100.0

Our administrative expenses during the Track Record Period comprised:

(a) Staff costs

It represents the fees, salaries, discretionary bonuses, other welfare and allowances and contributions to retirement benefit scheme provided to our Directors, and finance, accounting and administrative staff.

(b) Motor vehicle expenses

It represents the fuel costs, parking fees and repair and maintenance costs in relation to the use of motor vehicles.

(c) Depreciation

It represents the depreciation charges for our motor vehicles, computer and office equipment and furniture.

(d) Entertainment expenses

It represents costs in relation to the relationship building with existing and potential customers.

(e) Insurance

It represents the insurance premium for insurance policies maintained by our Group.

(f) Legal and professional fees

It mainly represents the service fees incurred for audit and accounting services, legal advisory services and annual ISO audit services.

(g) Exchange differences

It represents exchange gains or losses recognised in relation to our PRC operation.

(h) Others

It represents other administrative expenses, such as printing and stationery, donation, printing and postage, utilities expenses, bank charges and sundry expenses.

Reversal of impairment losses/(impairment losses) on financial assets and contract assets

Our Group recognised impairment losses for trade receivables of approximately HK$0.4 million, HK$2.1 million, HK$2.1 million and HK$36,000 for FY2021, the nine months ended 30 September 2022, FY2022 and the nine months ended 30 September 2023, respectively, while our Group recognised reversal of impairment losses on trade receivables of approximately HK$17,000 for FY2020.

Our Group recognised impairment losses for contract assets of approximately HK$1.7 million, HK$1.7 million and HK$1.1 million for the nine months ended 30 September 2022, FY2022 and the nine months ended 30 September 2023, respectively, while our Group recognised reversal of impairment losses on contract assets of approximately HK$0.1 million and HK$0.8 million for FY2020 and FY2021, respectively.

Our total impairment losses on financial assets and contract assets amounted to approximately HK$3.8 million, HK$3.8 million and HK$1.1 million for the nine months ended 30 September 2022, FY2022 and the nine months ended 30 September 2023, respectively, while our total reversal of impairment losses on financial assets and contract assets amounted to approximately HK$0.2 million and HK$0.4 million for FY2020 and FY2021, respectively.

Finance costs, net

The table below sets forth a breakdown of our finance income and costs during the Track Record Period:

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Finance income					
– Interest income from bank deposits	(1)	(15)	(73)	(21)	(159)
– Unwinding of discount impact	(22)	(24)	(22)	(17)	(23)
	(23)	(39)	(95)	(38)	(182)
Finance costs					
– Interest expense on bank borrowings	227	352	316	226	336
– Interest expense on lease liabilities	269	174	118	55	208
	496	526	434	281	544
Finance costs, net	473	487	339	243	362

Our finance income during the Track Record Period represents the interest income from bank deposits and unwinding of discount impact, while our finance costs represent interest expenses on bank borrowings and lease liabilities. For further details of our bank borrowings and lease liabilities, please refer to the paragraph headed "Indebtedness" in this section.

Income tax expense

Our Group is not subject to any income tax in the Cayman Islands and British Virgin Islands pursuant to the rules and regulations in those jurisdictions, while our subsidiaries, namely Wing Kei Hong Kong and Wing Kei Management, are subject to Hong Kong profits tax, and Wing Kei Dongguan is subject to the PRC corporate income tax.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one entity that is qualified under the two-tiered profits tax rate regime, under which the first HK$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Provision for the PRC corporate income tax is calculated at the statutory rate of 25% on the assessable income of Wing Kei Dongguan during the Track Record Period.

Our income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax expense	43,427	20,935	46,456	34,485	20,771
Tax calculated at domestic tax rates applicable to profits in the respective countries/places of business	6,615	3,552	7,358	6,039	5,594
Tax effects of:					
Income not subject to tax	(230)	(20)	(430)	(419)	(25)
Expenses not deductible for tax purpose	336	67	263	9	87
	6,721	3,599	7,191	5,629	5,656

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

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
				(Unaudited)	
Effective tax rate	15.5%	17.2%	15.5%	16.3%	17.2%

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

For the nine months ended 30 September 2023 compared with the nine months ended 30 September 2022

Revenue

Our revenue decreased by approximately HK$16.5 million or 6.6%, from approximately HK$251.6 million for the nine months ended 30 September 2022 to approximately HK$235.0 million for the nine months ended 30 September 2023, which was mainly due to the combined effect of:

(i) Project No. #02, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$380.2 million, contributed a relatively lower revenue of approximately HK$40.9 million for the nine months ended 30 September 2023 as compared to approximately HK$153.0 million for the nine months ended 30 September 2022, as substantial amount of construction site works was performed by our Group under the project in FY2022;

(ii) Project No. #12, which involved a public infrastructure development located at Tamar with an estimated contract sum of approximately HK$84.1 million, which commenced works in April 2023 and contributed revenue of approximately HK$37.5 million for the nine months ended 30 September 2023 while no revenue was recognised for such project for the nine months ended 30 September 2022;

(iii) Project No. #11, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$69.1 million, which contributed revenue of approximately HK$34.3 million for the nine months ended 30 September 2023 while revenue of approximately HK$1.4 million was recognised for the nine months ended 30 September 2022;

(iv) Project No. #13, which involved a private commercial development located at Causeway Bay with an estimated contract sum of approximately HK$388.0 million, commenced works in September 2023 which contributed revenue of approximately HK$20.8 million for the nine months ended 30 September 2023 while no revenue was recognised for the nine months ended 30 September 2022; and

(v) Some new projects were awarded in 2023 while the purchase of materials, fabrication works and/or substantial site works are expected to be performed in or after the third quarter of 2023, such as (i) Project No. #13, a private commercial development located at Causeway Bay with an estimated contract sum of approximately HK$388.0 million which was awarded and commenced in September 2023; (ii) Project No. O02, a private commercial development located at Central with an estimated contract sum of approximately HK$55.0 million which was awarded in June 2023 and commenced in September 2023; and (iii) Project No. O03, a public residential development located at Tung Chung with an estimated contract sum of approximately HK$43.8 million which was awarded in June 2023 and expected to commence in November 2023, resulting in lower amount of works performed during the nine months ended 30 September 2023.

Cost of services

Our cost of services decreased by approximately HK$14.2 million or 7.0%, from approximately HK$202.3 million for the nine months ended 30 September 2022 to approximately HK$188.0 million for the nine months ended 30 September 2023. The decrease was primarily driven by the decrease in our revenue. Our cost of services mainly comprised cost of materials, subcontracting fees, direct labour costs, transportation, and machinery service fees.

The following is a discussion of the changes in the key components of our cost of services during the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022:

(i) Our cost of materials increased by approximately HK$37.2 million or 76.5%, from approximately HK$48.7 million for the nine months ended 30 September 2022 to approximately HK$85.9 million for the nine months ended 30 September 2023. Such increase was mainly due to our Group procured substantial amount of materials for Project No. #12 and Project No. #13, and incurred cost of materials of approximately HK$35.7 million in aggregate for such projects for the nine months ended 30 September 2023;

(ii) Our subcontracting fees decreased by approximately HK$21.1 million or 25.1%, from approximately HK$83.9 million for the nine months ended 30 September 2022 to approximately HK$62.8 million for the nine months ended 30 September 2023, which was mainly because a substantial amount of construction site works was performed for Project No. #02, being our top project for the nine months ended 30 September 2023, during FY2022 while two of our remaining top five projects for the nine months ended 30 September 2023 were at their initial stage; and

(iii) Our direct labour costs decreased by approximately HK$6.4 million or 24.0%, from approximately HK$26.7 million for the nine months ended 30 September 2022 to approximately HK$20.3 million for the nine months ended 30 September 2023, which was mainly attributable to the decrease in our number of site workers from 28 as at 30 September 2022 to 16 as at 30 September 2023. For details on the decrease in our number of site workers during FY2022 and up to the nine months ended 30 September 2023, please refer to the paragraph headed "Business – Employees – Number of employees" in this document.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$2.3 million or 4.6%, from approximately HK$49.3 million for the nine months ended 30 September 2022 to approximately HK$47.0 million for the nine months ended 30 September 2023, which was mainly due to the decrease in revenue as discussed above. Our gross profit margin remained stable at approximately 19.6% for the nine months ended 30 September 2022 and at approximately 20.0% for the nine months ended 30 September 2023.

Other income and other gain/(loss), net

Our other income and other gain/(loss), net changed from other income and gain of approximately HK$2.7 million for the nine months ended 30 September 2022 to other loss of approximately HK$0.5 million for the nine months ended 30 September 2023, which was mainly due to (i) the decrease in government grants received by our Group from Employment Support Scheme under Anti-Epidemic Fund; and (ii) the loss recognised for the change in value of life insurance contracts, which was measured at its cash surrender value at each balance sheet date.

Administrative expenses

Our administrative expenses decreased by approximately HK$1.4 million or 10.2%, from approximately HK$13.4 million for the nine months ended 30 September 2022 to approximately HK$12.1 million for the nine months ended 30 September 2023, which was mainly due to the decrease in exchange losses recognised in relation to our PRC operation of approximately HK$3.1 million for the nine months ended 30 September 2022 to approximately HK$0.8 million for the nine months ended 30 September 2023.

Reversal of impairment losses/(impairment losses) on financial assets and contract assets

We recorded impairment losses on financial assets and contract assets of approximately HK$3.8 million for the nine months ended 30 September 2022 and approximately HK$1.1 million for the nine months ended 30 September 2023.

The impairment losses recognised for the nine months ended 30 September 2022 was mainly due to specific provision made on trade receivable (with gross carrying amount of approximately HK$2.6 million) and retention receivable (with gross carrying amount of approximately HK$1.5 million) from one of our customers. During FY2021, impairment losses of approximately HK$0.5 million and HK$0.3 million were made on the gross carrying amounts of trade receivable and retention receivable of the said customer, respectively. For further details, please refer to the paragraph headed "FY2021 compared with FY2020 – Reversal of impairment losses on financial assets and contract assets" below in this section. Our Group entered into contract with the said customer in March 2019 in relation to a project with contract sum of approximately HK$30.3 million. Our Group had notified the said customer on the completion of works in July 2020. As at 31 December 2020, the gross carrying amount of trade receivable was approximately HK$5.8 million and the gross carrying amount of retention receivable was approximately HK$1.5 million. In February 2021, the said customer had committed to pay the outstanding balance by four instalments and also set out the terms of release of retention money. During 2021, the said customer settled approximately HK$3.2 million. In December 2021, the said customer had confirmed with our Group on the remaining amount and issued 13 post-dated cheques for such settlement. In view of the above and having considered the expected credit loss rate, impairment losses of approximately HK$0.5 million and HK$0.3 million were made on the gross carrying amounts of trade receivable and retention receivable of the said customer during FY2021, respectively.

During the nine months ended 30 September 2022, the cheques issued by the abovementioned customer were dishonoured. In April 2022, our executive Directors became aware that there was a winding-up petition against such customer. Our executive Directors considered that the chance of collecting the remaining outstanding receivable balance from the said customer was low. Therefore, impairment losses were made on the remaining gross carrying amounts of such trade receivable and retention receivable of approximately HK$2.1 million and HK$1.2 million, respectively. In 2022, our Group petitioned for winding-up of the said customer on insolvency grounds. For further detail and status of the aforesaid winding-up petition, please refer to claim number 1 as described in the paragraph headed "Business – Litigations and claims – (i) Ongoing civil litigation involving our Group as at the Latest Practicable Date" in this document.

Finance costs, net

Our finance costs, net increased by HK$0.1 million or 49.0%, from approximately HK$0.2 million for the nine months ended 30 September 2022 to approximately HK$0.4 million for the nine months ended 30 September 2023. Such increase was mainly due to the increase in the interest expenses on bank borrowings and lease liabilities. Our finance income remained at low level for the nine months ended 30 September 2022 and the nine months ended 30 September 2023.

Income tax expense

Despite the decrease in our revenue, our income tax expense remained stable at approximately HK$5.6 million for the nine months ended 30 September 2022 and at approximately HK$5.7 million for the nine months ended 30 September 2023, which was due to (i) the non-deductible **[REDACTED]** of approximately HK$**[REDACTED]** million incurred during the nine months ended 30 September 2023 while nil incurred for the nine months ended 30 September 2022; and (ii) impairment losses on financial assets and contract assets of approximately HK$3.8 million for the nine months ended 30 September 2022 was recognised while impairment losses on financial assets and contract assets of approximately HK$1.1 million was recognised for the nine months ended 30 September 2023.

Profit for the period

As a result of the foregoing factors and the **[REDACTED]** of approximately HK$**[REDACTED]** million incurred during the nine months ended 30 September 2023, our profit for the period decreased by approximately HK$13.7 million or 47.6%, from approximately HK$28.9 million for the nine months ended 30 September 2022 to approximately HK$15.1 million for the nine months ended 30 September 2023, while our net profit margin decreased by approximately 5.0 percentage point, from approximately 11.5% for the nine months ended 30 September 2022 to approximately 6.4% for the nine months ended 30 September 2023.

FY2022 compared with FY2021

Revenue

Our revenue increased by approximately HK$107.6 million or 47.0%, from approximately HK$228.8 million for FY2021 to approximately HK$336.4 million for FY2022, which was mainly attributable to the unexpected change to our works schedule of Project No. #02, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK$380.2 million. This project contributed revenue of approximately HK$193.2 million, for FY2022 and approximately HK$69.5 million for FY2021. Our Group secured Project No. #02 from Hip Hing Group in late 2019 and started generating revenue from Project No. #02 by October 2019. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group recognised revenue of approximately HK$71.3 million, HK$69.5 million, HK$193.2 million and HK$40.9 million, from Project No. #02, respectively. According to the original project schedule, our contract works were supposed to commence in or around late 2019 and complete by mid-2021. In anticipation of the tight project schedule and scale of works under Project No. #02, our Group had started procuring materials and commenced part of the structural steel fabrication works shortly after we secured this project.

By mid-2020, we were informed that our works schedule under Project No. #02 would be revised primarily due to changes in design and drawings of structural steelwork by the project owner and that the substantial part of our construction site works would be rescheduled to 2021.

Being mindful of the revised project schedule of Project No. #02 and in light of the constraint in our available resources, during the second half of 2020, our executive Directors considered that it was vital to temporarily refrain from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02. Our Group also decided to reserve a substantial amount of our then available resources, including the capacity at our production facilities and manpower of our project management staff, for Project No. #02, taking into consideration (a) the substantial part of our construction site works under Project No. #02 would be rescheduled to 2021; (b) the sizeable scale and amount of works involved under such project; (c) the expected workloads for other ongoing projects; (d) the uncertainty arising from the COVID-19 outbreak and the associated risks of labour shortage and disruption to the transportation between Hong Kong and the PRC; and (e) the need to preserve our industry reputation and business relationship with Hip Hing Group via the satisfactory completion of Project No. #02, which is a landmark sports infrastructure development in Hong Kong.

Later in mid-2021, our Group was informed that the substantial part of our construction site works under Project No. #02 would be further rescheduled due to the late handover of the relevant work sites to us. While pending instruction from Hip Hing Group for proceeding with our construction site works, we had continued to perform fabrication works in 2021 to ensure we could meet the revised project schedule of Project No. #02. The fabricated items have occupied significant storage space at our production facilities, thereby reducing our production capacity for undertaking other projects in 2021.

Amid the repeated rescheduling of Project No. #02, during the second half of FY2021, we attempted to recoup the expected revenue which would otherwise be generated from Project No. #02 in the absence of such rescheduling. We did this by tendering for new projects that have relatively shorter duration and could readily commence in the near term. Despite our efforts, the revenue generated from the projects we obtained during the second half of 2021 was not sufficient to compensate for the decrease in our revenue due to the lower amount of works performed under Project No. #02. In addition, as mentioned above, during the second half of 2020, we had temporarily refrained from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02, resulting in lower amount of works performed by us in FY2021. After mid-2021, our Group did not receive any further notice in relation to the rescheduling of Project No. #02 and a substantial part of our construction site works were carried out in 2022 in accordance with the last revised schedule. Pursuant to the contract terms of the service agreement for Project No. #02, in the event our contract works under Project No. #02 was not completed within the original schedule due to reason(s) other than our default, our Group shall be entitled to apply in writing to Hip Hing Group for an extension to project duration and claim for any additional costs reasonably incurred by us arising from the delay. Based on (i) our negotiation with Hip Hing Group; and (ii) the aggregate payment certification certified by Hip Hing Group exceeds the original contract sum of this project, the Directors are of the view that our Group was able to claim for substantial part of the increase in costs incurred by us arising from the rescheduling of Project No. #02 to Hip Hing Group.

Cost of services

Our cost of services increased by approximately HK$76.1 million or 39.3%, from approximately HK$193.4 million for FY2021 to approximately HK$269.4 million for FY2022. The increase was primarily driven by the increase in our revenue. Our cost of services mainly comprised cost of materials, subcontracting fees, direct labour costs, transportation and machinery service fees.

The following is a discussion of the changes in the key components of our cost of services during FY2022 as compared to FY2021:

(i) Our cost of materials increased by approximately HK$11.4 million or 18.4%, from approximately HK$62.3 million for FY2021 to approximately HK$73.7 million for FY2022. Such less-than-proportionate increase as compared to the increase in our revenue was mainly because more than half of the materials cost of approximately HK$40.5 million for Project No. #02 were incurred during FY2020 having considered the original works schedule under Project No. #02, while the construction site works were mainly performed during FY2022 due to the rescheduling of Project No. #02;

(ii) Our subcontracting fees increased by approximately HK$43.4 million or 70.0%, from approximately HK$61.9 million for FY2021 to approximately HK$105.3 million for FY2022. Such increase in subcontracting fees was mainly due to (a) the engagement of a subcontractor specialised in fire protection works for our projects (including Project No. #02) which incurred subcontracting fees of approximately HK$14.8 million for FY2021 and approximately HK$34.9 million for FY2022; and (b) the reduction in number of our site workers as explained in (iii) below, resulting in the increase in use of subcontractors for construction site works for our projects as represented by the increase in subcontracting fees for construction site work incurred by us (excluding the subcontracting fees of the aforementioned subcontractor who specialised in fire protection works) from approximately HK$34.1 million for FY2021 to approximately HK$56.7 million for FY2022;

(iii) Our direct labour costs decreased by approximately HK$5.5 million or 13.5%, from approximately HK$40.5 million for FY2021 to approximately HK$35.0 million for FY2022, which was mainly attributable to the decrease in our number of site workers. For details on the decrease in our number of site workers from FY2021 to FY2022, please refer to the paragraph headed "Business – Employees – Number of employees" in this document.

(iv) Our transportation costs increased by approximately HK$6.6 million or 120.6%, from approximately HK$5.5 million for FY2021 to approximately HK$12.0 million for FY2022. Such increase was mainly attributable to (a) the transportation of substantial volume of finished products from our production facilities in the PRC to the construction site of Project No. #02; and (b) the transportation of materials and finished products between Hong Kong and the PRC by sea instead of by road during 2022 as cross-border transportation was significantly disrupted because of the fifth wave outbreak of COVID-19 resulting in higher transportation costs being incurred; and

(v) Our machinery service fees increased by approximately HK$19.1 million or 205.8%, from approximately HK$9.3 million for FY2021 to approximately HK$28.4 million for FY2022. Such increase was mainly attributable to the engagement of services provider for using sizeable cranes and heavy machinery to transport our steel products in the construction site of Project No. #02. We incurred machinery service fees of approximately HK$26.5 million for FY2022 for Project No. #02.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$31.5 million or 89.0%, from approximately HK$35.4 million for FY2021 to approximately HK$66.9 million for FY2022, which was mainly due to the increase in revenue as discussed above.

Our gross profit margin increased by approximately 4.4 percentage point from 15.5% for FY2021 to approximately 19.9% for FY2022. We recorded a relatively lower gross profit margin for FY2021 mainly due to the unforeseen rescheduling of our construction site works for Project No. #02 in mid-2021. Due to the unanticipated rescheduling of Project No. #02, a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity were rendered idle or not fully utilised during FY2021, resulting in certain direct labour costs, manufacturing overheads and project administrative costs incurred which amounted to approximately HK$1.9 million during FY2021 (the "**Idle Cost**"). In accordance with the relevant accounting standard, as the Idle Cost did not contribute to our Group's progress in satisfying our performance obligations amid the rescheduling of Project No. #02, our Group did not recognise the corresponding revenue for the Idle Cost by the time they were incurred, and such Idle Cost was not allocated to Project No. #02 or any particular project undertaken by our Group, but were recognised as unallocated costs in our Group's cost of services for FY2021. As a result, the gross profit margin of Project No. #02 was not adversely affected by the Idle Cost. Nonetheless, since the Idle Cost had been recognised as unallocated cost of services of our Group for FY2021 and did not contribute the corresponding revenue to our Group for FY2021, our Group's overall gross profit margin for FY2021 was lower as compared to that of FY2020 and FY2022. In addition, the increase in our gross profit margin was also attributable to projects with relatively higher gross profit margin with substantial amount of works performed during FY2022, namely, (i) Project No. #09, (ii) Project No. #11; and (iii) a public sector project with an estimated contract sum of approximately HK$18.6 million, involving a residential development in Diamond Hill, from Sun Fook Kong Construction Limited (the "**Diamond Hill Project**"). In relation to Project No. #09, which involved the building of a vehicular access bridge using structural steel, our Group was able to apply our past experience in relation to the installation of structural steel bridge which resulted in lower costs incurred than expected and was able to record a relatively higher profit margin from Project No. #09. This project contributed a gross profit of approximately HK$8.9 million to our Group for FY2022. In relation to Project No. #11, our customer has given us a relatively short timeframe to complete such project. Having considered the additional costs associated with engaging subcontractors to work overtime to ensure timely completion, we had set a higher pricing for such project. Project No. #11 contributed gross profit of approximately HK$3.3 million to our Group for FY2022. In relation to the Diamond Hill Project, having regard to the revised drawings which were mutually agreed by our Group and the customer, the welding works in the construction site were less than expected resulting in lower costs incurred than expected and we were able to record a relatively higher gross profit margin from such project. Such project contributed gross profit of approximately HK$3.2 million for FY2022.

Other income and other gain/(loss), net

Our other income and other gain/(loss), net increased by approximately HK$2.4 million or 836.3%, from approximately HK$0.3 million for FY2021 to approximately HK$2.7 million for FY2022, which was mainly attributable to the increase in government grants received by our Group from Employment Support Scheme in 2022 under Anti-Epidemic Fund. Subsidies are offered to employers who have employed regular employees with MPF Scheme. Such subsidies were granted to our Group for May 2022 to July 2022 at approximately HK$2.5 million for FY2022 while no such subsidies were available in FY2021.

Administrative expenses

Our administrative expenses increased by approximately HK$4.4 million or 30.0%, from approximately HK$14.7 million for FY2021 to approximately HK$19.1 million for FY2022, which was mainly because the exchange gain recognised in relation to our PRC operation of approximately HK$1.1 million for FY2021 turned into exchange losses of approximately HK$2.7 million for FY2022.

Reversal of impairment losses/(impairment losses) on financial assets and contract assets

We recorded a reversal of impairment losses on financial assets and contract assets of approximately HK$0.4 million for FY2021, while we recognised impairment losses on financial assets and contract assets of approximately HK$3.8 million for FY2022. The impairment losses on financial assets and contract assets for FY2022 were mainly due to a specific provision made on trade receivable and retention receivable from one of our customers. For further details, please refer to paragraph headed "For the nine months ended 30 September 2023 compared with the nine months ended 30 September 2022 – Reversal of impairment losses/(impairment losses) on financial assets and contract assets" above in this section.

Finance costs, net

Our finance costs, net decreased by HK$0.1 million or 30.4%, from approximately HK$0.5 million for FY2021 to approximately HK$0.3 million for FY2022. Such decease was mainly due to the decrease in the interest expenses on bank borrowings and lease liabilities. Our finance income remained at low level for FY2021 and FY2022.

Income tax expense

Our income tax expense increased by approximately HK$3.6 million or 99.8%, from approximately HK$3.6 million for FY2021 to approximately HK$7.2 million for FY2022, which was due to the increase in revenue and gross profit as discussed above.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by approximately HK$21.9 million or 126.5%, from approximately HK$17.3 million for FY2021 to approximately HK$39.3 million for the FY2022, while our net profit margin increased by approximately 4.1 percentage point, from approximately 7.6% for FY2021 to approximately 11.7% for FY2022.

FY2021 compared with FY2020

Revenue

Our revenue decreased by approximately HK$95.5 million or 29.5% from approximately HK$324.3 million for FY2020 to approximately HK$228.8 million for FY2021 which was mainly attributable to:

(i) Project No. #01, being our top project for FY2020 involving a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK$191.4 million, with substantial amount of works performed during FY2020 and was completed at the end of FY2020. Project No. #01 contributed revenue of approximately HK$120.7 million for FY2020 while no revenue was derived from Project No. #01 for FY2021; and

(ii) the rescheduling of our construction site works for Project No. #02. For details, please refer to the paragraph headed "FY2022 compared with FY2021 – Revenue" above in this section.

Cost of services

Our cost of services decreased by approximately HK$75.9 million or 28.2% from approximately HK$269.3 million for FY2020 to approximately HK$193.4 million for FY2021. The decrease was primarily driven by the decrease in our revenue. Our cost of services mainly comprised cost of materials, subcontracting fees, direct labour costs, transportation and machinery service fees.

The following is a discussion of the changes in the key components of our cost of services during FY2021 as compared to FY2020:

(i) Our cost of materials decreased by approximately HK$88.3 million or 58.6%, from approximately HK$150.6 million for FY2020 to approximately HK$62.3 million for FY2021. Such decrease was mainly due to (a) the completion of Project No. #01 at the end of FY2020 which incurred cost of materials of approximately HK$53.0 million for FY2020 while incurring no cost of materials for FY2021; and (b) our Group had started procuring materials for Project No. #02 which incurred cost of materials amounted to approximately HK$40.5 million for FY2020, in anticipation of the original commencement of our construction site works in 2021 as well as the amount of works involved in such project;

(ii) Our subcontracting fees decreased by approximately HK$13.9 million or 18.4%, from approximately HK$75.9 million for FY2020 to approximately HK$61.9 million for FY2021. Such decrease in subcontracting fees was mainly because Project No. #01 was completed at the end of FY2020 and the substantial construction site works for Project No. #02 were rescheduled to FY2022, which resulted in the decrease in the amount of subcontracting fees incurred as compared to FY2020;

(iii) Our direct labour costs increased by approximately HK$17.6 million or 76.5%, from approximately HK$23.0 million for FY2020 to approximately HK$40.5 million for FY2021, which was mainly attributable to the increase in our number of site workers. For details on the increase in our number of site workers from FY2020 to FY2021, please refer to the paragraph headed "Business – Employees – Number of employees" in this document; and

(iv) our machinery service fees increased by approximately HK$6.3 million or 214.3%, from approximately HK$3.0 million for FY2020 to approximately HK$9.3 million for FY2021, which was mainly attributable to the engagement of services provider for using sizeable cranes and heavy machinery to transport our steel products for several public infrastructure and commercial projects.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$19.6 million or 35.6%, from approximately HK$55.0 million for FY2020 to approximately HK$35.4 million for FY2021, which was mainly due to the decrease in revenue as discussed above. Our gross profit margin decreased by approximately 1.5 percentage point from 17.0% for FY2020 to approximately 15.5% for FY2021. We recorded a relatively lower gross profit margin for FY2021 mainly due to the unforeseen rescheduling of our construction site works for Project No. #02 in mid-2021. Due to the unanticipated rescheduling of Project No. #02, a substantial amount of the then available resources of our Group originally reserved for Project No. #02 such as direct labour and structural steel production capacity were rendered idle or not fully utilised during FY2021, resulting in certain direct labour costs, manufacturing overheads and project administrative costs incurred which amounted to approximately HK$1.9 million during FY2021 (the "**Idle Cost**"). In accordance with the relevant accounting standard, as the Idle Cost did not contribute to our Group's progress in satisfying our performance obligations amid the rescheduling of Project No. #02. Therefore, in accordance with the relevant accounting standard, our Group did not recognise the corresponding revenue for the Idle Cost by the time they were incurred, and such Idle Cost was not allocated to Project No. #02 or any particular project undertaken by our Group, but were recognised as unallocated costs in our Group's cost of services for FY2021. As a result, the gross profit margin of Project No. #02 was not adversely affected by the Idle Cost. Nonetheless, since the Idle Cost had been recognised as unallocated cost of services of our Group for FY2021 and did not contribute the corresponding revenue to our Group for FY2021, our Group's overall gross profit margin for FY2021 was lower as compared to that of FY2020 and FY2022.

Other income and other gain/(loss), net

Our other income and other gain/(loss), net decreased by approximately HK$1.1 million or 79.1%, from approximately HK$1.3 million for FY2020 to approximately HK$0.3 million for FY2021, which was mainly attributable to the decrease in government grants received by our Group from Employment Support Scheme under Anti-Epidemic Fund. Such subsidies were granted to our Group from June 2020 to November 2020 at approximately HK$1.2 million for FY2020 while no such subsidies were available in FY2021.

Administrative expenses

Our administrative expenses increased by approximately HK$2.0 million or 15.6%, from approximately HK$12.7 million for FY2020 to approximately HK$14.7 million for FY2021. Such increase was mainly attributable to (i) the increase in staff costs (including directors' remunerations) by approximately HK$1.0 million due to the increase in discretionary bonuses under directors' remunerations; and (ii) the decrease in exchange gain recognised in relation to our PRC operation by approximately HK$0.9 million.

Reversal of impairment losses on financial assets and contract assets

We recorded a reversal of impairment losses on financial assets and contract assets of approximately HK$0.2 million for FY2020 and approximately HK$0.4 million for FY2021. During FY2021, a specific provision was made on trade receivable (with gross carrying amount of approximately HK$2.6 million) and retention receivable (with gross carrying amount of approximately HK$1.5 million) from one of our customers. Our Group entered into the contract with the said customer in March 2019 in relation to a project with contract sum of approximately HK$30.3 million. Our Group had notified the said customer on the completion of works in July 2020. As at 31 December 2020, the gross carrying amount of trade receivable was approximately HK$5.8 million and the gross carrying amount of retention receivable was approximately HK$1.5 million. In February 2021, the said customer had committed to pay the outstanding balance by four instalments and also set out the terms of release of retention money. During 2021, the said customer settled approximately HK$3.2 million. In December 2021, the said customer had confirmed with our Group on the remaining amount and issued 13 post-dated cheques for such settlement. In view of the above and having considered the expected credit loss rate, impairment losses of approximately HK$0.5 million and HK$0.3 million were made on the gross carrying amounts of trade receivable and retention receivable of the said customer during FY2021, respectively.

Finance costs, net

Our finance costs, net maintained at approximately HK$0.5 million for FY2020 and FY2021. Our finance income remained at low level for FY2020 and FY2021.

Income tax expense

Our income tax expense decreased by approximately HK$3.1 million or 46.5%, from approximately HK$6.7 million for FY2020 to approximately HK$3.6 million for FY2021, which was mainly due to the decrease in revenue and gross profit as discussed above.

Profit for the year

As a result of the foregoing factors, our profit for the year decreased by approximately HK$19.4 million or 52.8%, from approximately HK$36.7 million for FY2020 to approximately HK$17.3 million for FY2021, while our net profit margin decreased by approximately 3.7 percentage point, from approximately 11.3% for FY2020 to approximately 7.6% for FY2021.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and bank borrowings. Our primary liquidity requirements are to finance our working capital needs and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance a portion of our liquidity requirements.

As at 31 December 2023, being the Latest Practicable Date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately HK$19.1 million. As at 31 December 2023, we had unutilised banking facilities of approximately HK$43.0 million, which include a SME non-revolving loan facility amounted to approximately HK$10.0 million which would be cancelled upon **[REDACTED]**.

Cash flows

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash generated from / (used in) operating activities	8,475	11,455	79,007	68,650	(14,773)
Net cash used in investing activities	(4,200)	(1,157)	(6,549)	(6,580)	(3,931)
Net cash used in financing activities	(7,919)	(13,129)	(15,414)	(10,754)	(30,786)
Net (decrease)/ increase in cash and cash equivalents	(3,644)	(2,831)	57,044	51,316	(49,490)
Cash and cash equivalents at beginning of the year/period	18,148	14,536	11,729	11,729	68,696
Exchange difference on cash and cash equivalents	32	24	(77)	(115)	(85)
Cash and cash equivalents at end of the year/period	14,536	11,729	68,696	62,930	19,121

Cash flows from operating activities

Our operating cash inflows are primarily derived from our revenue from undertaking structural steelwork in Hong Kong, whereas our operating cash outflows mainly include payment for subcontracting fees, purchase of materials, direct labour costs, as well as other working capital needs.

Net cash generated from/(used in) operating activities primarily consisted of profit before income tax expense adjusted for depreciation of plant and equipment, depreciation of right-of-use assets, finance income, finance costs, gain on disposal of property, plant and equipment, gain/loss on investments in insurance contracts, net exchange differences, and reversal of impairment losses/impairment losses on financial assets and contract assets, and the effect of changes in working capital such as the changes in contract assets, trade and other receivables, deposits and prepayments, trade payables, accruals and other payables, contract liabilities and amount due from a related company.

The following table sets forth a reconciliation of our profit before income tax expense to net cash generated from/(used in) operating activities:

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(Unaudited)	
Profit before income tax expense	43,427	20,935	46,456	34,485	20,771
Adjustments for:					
Depreciation of plant and equipment	1,793	1,978	2,050	1,564	1,475
Depreciation of right-of-use assets	2,906	3,152	3,338	2,282	3,056
Finance income	(23)	(39)	(95)	(38)	(182)
Finance costs	496	526	434	281	544
Gain on disposal of property, plant and equipment	–	–	(23)	–	79
(Gain)/loss on investments in insurance contracts	(112)	(123)	(100)	(86)	461
Net exchange differences	(2,108)	(1,213)	2,216	3,201	1,130
(Reversal of impairment losses)/impairment losses on financial assets and contract assets	(162)	(383)	3,800	3,778	1,102

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating profit before changes in working capital	46,217	24,833	58,076	45,467	28,436
Changes in working capital:					
(Increase)/decrease in contract assets	(29,437)	15,911	6,547	15,913	(69,079)
Decrease/(increase) in trade and other receivables, deposits and prepayments	17,125	(11,120)	12,921	(13,253)	(10,512)
(Decrease)/increase in trade payables, accruals and other payables	(8,661)	(9,544)	4,666	3,237	36,663
(Decrease)/increase in contract liabilities	(10,470)	(1,613)	(441)	16,972	(602)
Decrease in amount due from a related company	480	480	480	360	405
Cash generated from/(used in) operations	15,254	18,947	82,249	68,696	(14,689)
Income tax paid	(6,779)	(7,492)	(3,242)	(46)	(84)
Net cash generated from/(used in) operating activities	8,475	11,455	79,007	68,650	(14,773)

For FY2020, we recorded profit before income tax expense of approximately HK$43.4 million and net cash generated from operating activities of approximately HK$8.5 million, which was mainly resulted from the negative adjustment due to (i) increase in contract assets by approximately HK$29.4 million; (ii) decrease in contract liabilities by approximately HK$10.5 million; (iii) decrease in trade payables, accruals and other payables by approximately HK$8.7 million; (iv) income tax paid of approximately HK$6.8 million; and partly offset by the positive adjustment due to (i) decrease in trade and other receivables, deposits and prepayments by approximately HK$17.1 million; and (ii) the depreciation of right-of-use assets of approximately HK$2.9 million.

For FY2021, we recorded profit before income tax expense of approximately HK$20.9 million and net cash generated from operating activities of approximately HK$11.5 million, which was mainly resulted from the negative adjustment due to (i) increase in trade and other receivables, deposits and prepayments by approximately HK$11.1 million; (ii) decrease in trade payables, accruals and other payables by approximately HK$9.5 million; (iii) income tax paid of approximately HK$7.5 million; and partly offset by the positive adjustment due to (i) decrease in contract assets by approximately HK$15.9 million; (ii) the depreciation of right-of-use assets of approximately HK$3.2 million.

For FY2022, we recorded profit before income tax expense of approximately HK$46.5 million and net cash generated from operating activities of approximately HK$79.0 million, which was mainly resulted from the positive adjustment due to (i) decrease in trade and other receivables, deposits and prepayments by approximately HK$12.9 million; (ii) decrease in contract assets by approximately HK$6.5 million; (iii) the increase in trade payables, accruals and other payables by approximately HK$4.7 million; (iv) the impairment losses on financial assets and contract assets of approximately HK$3.8 million; (v) the depreciation of right-of-use assets of approximately HK$3.3 million; and partly offset by the negative adjustment due to income tax paid of approximately HK$3.2 million.

For the nine months ended 30 September 2022, we recorded profit before income tax expense of approximately HK$34.5 million and net cash generated from operating activities of approximately HK$68.7 million, which was mainly resulted from the positive adjustment due to (i) increase in contract liabilities by approximately HK$17.0 million; (ii) decrease in contract assets by approximately HK$15.9 million; (iii) the impairment losses on financial assets and contract assets of approximately HK$3.8 million; (iv) increase in trade payables, accruals and other payables by approximately HK$3.2 million; (v) net exchange differences of approximately HK$3.2 million; and partly offset by the negative adjustment due to increase in trade and other receivables, deposits and prepayments by approximately HK$13.3 million.

For the nine months ended 30 September 2023, we recorded profit before income tax expense of approximately HK$20.8 million and net cash used in operating activities of approximately HK$14.8 million, which was mainly resulted from the negative adjustment due to (i) increase in contract assets by approximately HK$69.1 million, which was mainly attributable to the structural steelwork performed by us under certain projects but the works had yet to be certified by the relevant customers, which mainly include Project No. O01, Project No. O02, Project No. #12 and Project No. #13; (ii) increase in trade and other receivables, deposits and prepayments by approximately HK$10.5 million; and partly offset by the positive adjustment due to (i) increase in trade payables, accruals and other payables by approximately HK$36.7 million; and (ii) the depreciation of right-of-use assets of approximately HK$3.1 million. Going forward, our Group will (a) continue to follow up closely with our customers in settling the respective projects' outstanding balances for the works we had completed; (b) prior to the commencement of each project, our project management team will prepare forecast on the cash inflow and cash outflow for the respective project, and negotiate with our customers in our best efforts to set out the most favourable payment terms for our Group; (c) our project management team is responsible for documenting expected cash inflow from customers and cash outflow to suppliers and subcontractors and preparing cashflow plans for each project and submitting the cashflow plans to our finance and accounting staff on a monthly basis; (d) our finance and accounting staff, led by our financial controller, will be responsible for reviewing the cashflow plans for our projects and submitting the cashflow plans to our management for review; and (e) closely monitor our project schedule and cash flow forecast of our projects on hand when tendering for new projects. If our Group is awarded with a number of sizeable projects which are expected to commence within a similar period, our Group may refrain from tendering for new sizeable projects which are also expected to commence within a similar timeframe in order to avoid incurring substantial amount of up-front costs concurrently and to avoid resulting in operating cash outflow.

Cash flows from investing activities

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Purchase of plant and equipment	(3,666)	(1,126)	(318)	(318)	(1,156)
Purchase of investments in insurance contracts	–	–	–	–	(2,846)
Proceeds from disposal of plant and equipment	–	–	23	–	–
Advance to a related company	(238)	(343)	(6,327)	(6,300)	(111)
Advance to a director	(297)	–	–	–	–
Repayment from a director	–	297	–	–	–
Finance income received	1	15	73	38	182
Net cash used in investing activities	(4,200)	(1,157)	(6,549)	(6,580)	(3,931)

During the Track Record Period, our cash inflows from investing activities include repayment from a director, proceeds from disposal of plant and equipment, and finance income received, while our cash outflows from investing activities consist of purchase of plant and equipment, purchase of investments in insurance contracts, advance to a related company and advance to a director.

For FY2020 and FY2021, we recorded net cash used in investing activities of approximately HK$4.2 million and HK$1.1 million, respectively, which was mainly attributable to the purchase of plant and equipment.

For the nine months ended 30 September 2022 and FY2022, we recorded net cash used in investing activities of approximately HK$6.6 million and HK$6.5 million, respectively, which was mainly attributable to the advance to a related company for repayment of mortgage loans for its investment properties.

For the nine months ended 30 September 2023, we recorded net cash used in investing activities of approximately HK$3.9 million, which was mainly attributable to the purchase of investments in insurance contracts.

Cash flows from financing activities

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Proceeds from bank borrowings	20,728	18,373	15,511	15,511	2,000
Repayments of bank borrowings	(11,308)	(24,871)	(11,760)	(11,133)	(2,246)
Dividend paid	(8,200)	–	(8,000)	(8,000)	(20,000)
Payment for principal and interest of lease liabilities	(3,597)	(3,538)	(2,928)	(2,185)	(3,155)
Payment of **[REDACTED]**	–	–	–	–	(2,127)
Finance cost paid	(227)	(352)	(316)	(226)	(336)
Repayment to directors	(5,315)	(2,741)	(7,921)	(4,721)	(4,922)
Net cash used in financing activities	(7,919)	(13,129)	(15,414)	(10,754)	(30,786)

During the Track Record Period, our cash inflows from financing activities include proceeds from bank borrowings, while our cash outflows from financing activities consist of repayments of bank borrowings, dividend paid, payment for principal and interest of lease liabilities, finance cost paid and repayment to directors.

For FY2020, we recorded net cash used in financing activities of approximately HK$7.9 million, which was mainly attributable to (i) the repayments of bank borrowings of approximately HK$11.3 million; (ii) dividend paid of approximately HK$8.2 million; and (iii) the repayment to directors of approximately HK$5.3 million; while such cash outflows were partially offset by the proceeds from bank borrowings of approximately HK$20.7 million.

For FY2021, we recorded net cash used in financing activities of approximately HK$13.1 million, which was mainly attributable to (i) the repayments of bank borrowings of approximately HK$24.9 million; (ii) payment for principal and interest of lease liabilities of approximately HK$3.5 million; and (iii) the repayment to directors of approximately HK$2.7 million; while such cash outflows were partially offset by the proceeds from bank borrowings of approximately HK$18.4 million.

For FY2022, we recorded net cash used in financing activities of approximately HK$15.4 million, which was mainly attributable to (i) the repayments of bank borrowings of approximately HK$11.8 million; (ii) dividend paid of approximately HK$8.0 million; and (iii) repayment to directors of approximately HK$7.9 million; while such cash outflows were partially offset by the proceeds from bank borrowings of approximately HK$15.5 million.

For the nine months ended 30 September 2022, we recorded net cash used in financing activities of approximately HK$10.8 million, which was mainly attributable to (i) repayments of bank borrowings of approximately HK$11.1 million; (ii) dividend paid of approximately HK$8.0 million; and (iii) repayment to directors of approximately HK$4.7 million; while such cash outflows were partially offset by proceeds from bank borrowings of approximately HK$15.5 million.

For the nine months ended 30 September 2023, we recorded net cash used in financing activities of approximately HK$30.8 million, which was mainly attributable to (i) dividend paid of HK$20.0 million; (ii) the repayments to directors of approximately HK$4.9 million; and (iii) payment for principal and interest of lease liabilities of approximately HK$3.2 million; while such cash outflows were partially offset by the proceeds from bank borrowings of HK$2.0 million.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of machinery and equipment, leasehold improvements, furniture, fixtures and office equipment and motor vehicles during the Track Record Period. The following sets forth our Group's capital expenditure for the periods indicated:

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Machinery and equipment	2,864	709	57	–
Leasehold improvements	578	201	229	850
Furniture, fixtures and office equipment	145	36	32	20
Motor vehicles	79	180	–	286
Total	3,666	1,126	318	1,156

Our Group incurred capital expenditures of approximately HK$3.7 million, HK$1.1 million, HK$0.3 million and HK$1.2 million for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. The capital expenditure on machinery and equipment for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 amounted to approximately HK$2.9 million, HK$0.7 million, HK$57,000 and nil, respectively. The capital expenditure on leasehold improvements for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 amounted approximately HK$0.6 million, HK$0.2 million, HK$0.2 million and HK$0.9 million, respectively. The capital expenditure on furniture, fixtures and office equipment for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 amounted approximately HK$0.1 million, HK$36,000, HK$32,000 and HK$20,000, respectively. The capital expenditure on motor vehicles for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 amounted to approximately HK$79,000, HK$0.2 million, nil and HK$0.3 million, respectively. Our capital expenditure was funded by our internal resources.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, and the Sponsor concurs that, taking into consideration our internal resources and banking facilities presently available to our Group, including our existing cash and cash equivalents, cash generated from our operations, available banking facilities, and the estimated **[REDACTED]** to be received by us from the **[REDACTED]**, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

NET CURRENT ASSETS

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

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Trade receivables	10,912	22,094	14,493	19,773	43,199
Contract assets	97,051	81,972	73,758	141,770	161,569
Other receivables, deposits and prepayments	12,165	12,775	3,651	11,116	12,620
Amounts due from directors	297	–	–	–	759
Amount due from a related company	6,308	6,171	12,018	11,724	11,627
Tax recoverable	–	382	–	–	–
Cash and cash equivalents	14,536	11,729	70,880	19,121	8,650
	141,269	135,123	174,800	203,504	238,424
Current liabilities					
Trade and retention payables	35,269	22,895	27,280	59,655	83,624
Accruals and other payables	4,894	7,814	7,891	12,195	17,516
Amounts due to directors	16,653	13,912	5,991	1,069	–
Contract liabilities	4,254	2,641	2,200	1,598	3,196
Lease liabilities	3,276	2,337	4,352	3,782	2,896
Bank borrowings	11,201	4,703	10,638	8,208	9,886
Current income tax liabilities	4,274	–	4,321	10,103	3,603
	79,821	54,302	62,673	96,610	120,721
Net current assets	61,448	80,821	112,127	106,894	117,703

Our net current assets increased from approximately HK$61.4 million as at 31 December 2020 to approximately HK$80.8 million as at 31 December 2021. The increase in our net current assets was mainly due to the decrease in current liabilities by approximately HK$25.5 million or 32.0%, in particular, the decrease in trade and retention payables by approximately HK$12.4 million and the decrease in bank borrowings by approximately HK$6.5 million for the repayments of bank borrowings by our Group for FY2020. Such increase was partially offset by the decrease in current assets by approximately HK$6.1 million or 4.4%.

Our net current assets further increased to approximately HK$112.1 million as at 31 December 2022. The increase in our net current assets was mainly due to the increase in current assets by approximately HK$39.7 million or 29.4%, in particular, the increase in cash and cash equivalents by approximately HK$59.2 million mainly attributable to our profitable operation. Our cash generated from operations amounted to approximately HK$82.2 million for FY2022. Such increase was partially offset by the increase in current liabilities by approximately HK$8.4 million or 15.4%.

Our net current assets decreased to approximately HK$106.9 million as at 30 September 2023. In particular, the increase in trade and retention payables by approximately HK$32.4 million outweigh the increase in current assets by approximately HK$28.7 million. Such difference was due to the difference in timing between the procurement of materials and services from our suppliers and subcontractors and the certification of our Group's payment application by the respective customers as at 30 September 2023. In addition, our Group recorded the decrease in cash and cash equivalents by approximately HK$51.8 million, which was mainly attributable to HK$20.0 million dividend paid.

As at 31 December 2023, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK$117.7 million. Such increase in our net current assets was primarily attributable to the increase in trade receivables by approximately HK$23.4 million. Such increase was due to the difference in timing for the settlement of the outstanding balances by our customers as at the respective period end.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Further discussions of the fluctuations in the key components of our statement of financial position are set forth in the following paragraphs:

Property, plant and equipment

Our property, plant and equipment primarily comprised machinery and equipment, motor vehicles, leasehold improvements, and furniture, fixtures and office equipment. Our property, plant and equipment amounted to approximately HK$9.1 million, HK$9.3 million, HK$7.1 million and HK$6.5 million as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Such fluctuation was primarily due to the combined effect of addition of property, plant and equipment and depreciation during the year/period.

Right-of-use assets

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term. The right-of-use assets represent our Group's rights to use underlying leased premises, leasehold land and motor vehicle under lease arrangements over the lease terms from two to 50 years. They are stated at cost less accumulated depreciation and accumulated impairment losses. Details of our right-of-use assets are summarised in note 15 to the Accountant's Report set out in Appendix I to this document.

Investments in life insurance contracts

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Key management insurance contracts	3,237	3,360	3,460	5,845

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our Group held life insurance policy for Directors of our Group. The investments in life insurance contract is denominated in USD. Our Group has the right to surrender the insurance partially or in full at any time after the first policy anniversary for cash surrender value. Cash surrender value represents the account value net of surrender charges.

The value of the key management insurance contracts as at 31 December 2020, 2021 and 2022 remained relatively stable at approximately HK$3.2 million, HK$3.4 million and HK$3.5 million, and the changes in value as at 31 December 2020, 2021 and 2022 were driven by the increase in cash surrender value of the key management insurance contracts. As at 30 September 2023, the value of the key management insurance contracts increased to approximately HK$5.8 million, which was primarily attributable to an addition of key management insurance contract of approximately HK$2.8 million bought for one of our Directors, Mr. Eddie Chan. Such increase was partially offset by the decrease in cash surrender value of approximately HK$0.5 million as at 30 September 2023.

Trade receivables

Our trade receivables increased from approximately HK$10.9 million as at 31 December 2020 to approximately HK$22.1 million as at 31 December 2021. Such increase was due to the increase in the outstanding balance from a sizeable project undertaken by our Group during FY2021, namely the gross trade receivables for Project No. #04, which amounted to approximately HK$12.9 million (as at 31 December 2020: approximately HK$1.8 million).

Our trade receivables decreased from approximately HK$22.1 million as at 31 December 2021 to approximately HK$14.5 million as at 31 December 2022. Such decrease was primarily attributable to the settlement of the outstanding balance from Customer C in relation to Project No. #04, which amounted to approximately HK$12.9 million, and such decrease was partially offset by the increase in the outstanding balance from some of our top projects during FY2022, namely, the gross trade receivable for Project No. #09 which amounted to HK$4.2 million, and the gross trade receivables for Project No. #10 which amounted to HK$3.0 million.

Our trade receivables increased from approximately HK$14.5 million as at 31 December 2022 to approximately HK$19.8 million as at 30 September 2023. Such increase was mainly due to the increase in the outstanding balance from Zenith (PMS) Limited in relation to Project No. #11 which amounted to approximately HK$7.0 million, and such increase was partially offset by the settlement of the outstanding balance from Customer F, which amounted to approximately HK$4.4 million.

Trade receivables and unbilled revenue turnover days

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

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**
	days	*days*	*days*	*days*
Trade receivables turnover days	25.0	26.3	19.8	19.9
Trade receivables and unbilled revenue turnover days	67.5	88.5	47.2	79.4

Note:

1. Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 273 days for the nine months ended 30 September 2023).

2. Trade receivables and unbilled revenue turnover days is calculated based on the average of the beginning and ending balance of trade receivables and unbilled revenue divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 273 days for the nine months ended 30 September 2023).

Our trade receivables turnover days were approximately 25.0 days, 26.3 days, 19.8 days and 19.9 days for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively.

Our trade receivables and unbilled revenue turnover days are longer than trade receivables turnover days, as it includes the progress of certification by our customer. Our Group generally submits a progress payment application to our customer on a monthly basis with reference to the amount of works completed and our customer will examine and certify our works done by issuing a payment certificate to us. We will then issue an invoice to our customer. Therefore, the fluctuation in trade receivables and unbilled revenue turnover days depends on (i) the certification process of our customers; (ii) our customers' internal process for approving our invoices; (iii) the credit terms granted by us to our customers; and (iv) the amount and time of settlement by our customers.

Aging analysis and subsequent settlement

The following table sets forth the aging analysis of gross trade receivables based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	4,648	16,803	14,458	12,342
91-180 days	1,370	2,464	–	6,952
Over 180 days	4,963	3,345	2,685	3,165
	10,981	22,612	17,143	22,459

Up to the Latest Practicable Date, approximately 87.9% of our gross trade receivables as at 30 September 2023 had been settled:

	As at 30 September 2023	**Subsequent settlement up to the Latest Practicable Date**	
	HK$'000	*HK$'000*	*%*
Within 90 days	12,342	12,241	99.2
91-180 days	6,952	6,952	100.0
Over 180 days	3,165	555	17.5
Total	22,459	19,748	87.9

Among our gross trade receivables as at 30 September 2023 amounted to approximately HK$22.5 million, approximately HK$19.7 million or 87.9% of our gross trade receivables were settled as at the Latest Practicable Date.

For our gross trade receivables as at 30 September 2023 which aged over 180 days represented (i) approximately HK$2,555,000 of the gross trade receivables were due from one of our customers, where our Group petitioned for winding-up of the said customer on insolvency grounds. For further details and status of the aforesaid winding-up petition, please refer to claim number 1 as described in the paragraph headed "Business – Litigations and claims – (i) Ongoing civil litigation involving our Group as at the Latest Practicable Date" in this document; and (ii) another customer with outstanding gross trade receivables of approximately HK$55,000 was involved in winding-up proceedings and the provisional liquidator was appointed in relation to the winding-up of that customer. The impairment losses of the outstanding receivables owning from the two aforesaid customers have been fully provided.

For our gross trade receivables as at 30 September 2023 which aged between 91-180 days, approximately HK$7.0 million was outstanding. Up to the Latest Practicable Date, such amount was fully settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments mainly comprised prepayments for subcontractors of structural steel fabrication works in the PRC and logistics service providers, other tax receivables and deposits for the PRC customs declaration, utilities services and rental of our offices.

Our other receivables, deposits and prepayments remained relatively stable at approximately HK$12.9 million and HK$12.8 million as at 31 December 2020 and 2021, respectively.

Our other receivables, deposits and prepayments decreased to approximately HK$4.7 million as at 31 December 2022. Such decrease was primarily due to the decrease in prepayments for structural steelwork by approximately HK$3.8 million and other tax receivables by approximately HK$3.7 million. Such decrease was mainly attributable to the difference in timing of prepayments to our subcontractors of structural steel fabrication works in the PRC and logistics services providers and the VAT refund received from the PRC local authorities.

Our other receivables, deposits and prepayments increased to approximately HK$12.0 million as at 30 September 2023. The increase was primarily due to (i) the increase in prepayments for structural steelwork by approximately HK$0.9 million, which was due to difference in timing of prepayment to our subcontractors of structural steel fabrication woks in the PRC and logistics services providers as at the respective reporting dates; (ii) the increase in other tax receivables by approximately HK$1.5 million which was mainly attributable to the timing difference as explained in the above paragraph; and (iii) the incurrence of deferred **[REDACTED]** of approximately HK$3.4 million and prepayment for **[REDACTED]** of approximately HK$1.4 million as at 30 September 2023.

Contract assets and contract liabilities

A contract asset represents our Group's right to consideration from customers in exchange for the provision of structural steelwork that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has provided the structural steelwork under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or our Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable at the point when our Group's right to payment becomes unconditional other than passage of time.

A contract liability represents our Group's obligation to transfer the aforesaid services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

The Group classifies these contract assets and liabilities as current because the Group expects to realise them in its normal operating cycle.

The following table sets forth our contract assets and contract liabilities as at the dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Unbilled revenue	48,559	29,725	20,698	82,617
Retention receivables for structural steelwork	50,452	53,375	55,856	63,015
Total contract assets	99,011	83,100	76,554	145,632
Less: provision for impairment	(1,960)	(1,128)	(2,796)	(3,862)
Contract assets, net	97,051	81,972	73,758	141,770
Contract liabilities	4,254	2,641	2,200	1,598

Unbilled revenue

Our unbilled revenue decreased from approximately HK$48.6 million as at 31 December 2020 to approximately HK$29.7 million as at 31 December 2021, and further decreased to approximately HK$20.7 million as at 31 December 2022. Such decrease in our unbilled revenue was primarily attributable to the decrease in size and number of contract works that the relevant services were provided but not certified at the end of each reporting period, such as (i) Project No. #04, where our unbilled revenue decreased from approximately HK$10.3 million as at 31 December 2020 to approximately HK$2.0 million as at 31 December 2021; and (ii) Project No. #02, where our unbilled revenue decreased from approximately HK$19.7 million as at 31 December 2020 to approximately HK$17.6 million and HK$5.7 million as at 31 December 2021 and 2022, respectively.

Our unbilled revenue increased from approximately HK$20.7 million as at 31 December 2022 to approximately HK$82.6 million as at 30 September 2023. Such increase was primarily attributable to the increase in size and number of contract works that the relevant services were provided but not certified at the end of each reporting period, such as (i) Project No. #13, where our unbilled revenue increased from nil as at 31 December 2022 to approximately HK$20.8 million as at 30 September 2023; (ii) Project No. #12, where our unbilled revenue increased from nil as at 31 December 2022 to approximately HK$13.6 million as at 30 September 2023; (iii) Project No. O01, where our unbilled revenue increased from nil as at 31 December 2022 to approximately HK$11.2 million as at 30 September 2023; and (iv) Project No. O02, where our unbilled revenue increased from nil as at 31 December 2022 to approximately HK$8.8 million as at 30 September 2023.

Subsequent billing and settlement

Our unbilled revenue amounted to approximately HK$82.6 million as at 30 September 2023. Of the amount of approximately HK$82.6 million as at 30 September 2023, approximately 99.1% (which amount to approximately HK$81.8 million) had been subsequently billed up to the Latest Practicable Date.

Of such amount of approximately HK$81.8 million where subsequent billings had taken place, 91.3% of which had been subsequently settled by the relevant customers up to the Latest Practicable Date.

Having considered that (i) up to the Latest Practicable Date, approximately HK$0.8 million of the unbilled revenue as at 30 September 2023 remained unbilled and our Directors expect the remaining unbilled revenue to be billed by the first quarter of 2024; (ii) the relevant customers of the remaining unbilled revenue have not defaulted in any payment to us during the Track Record Period; (iii) the relevant customers of the remaining unbilled revenue have continued to bill and settle for our projects during the Track Record Period; and (iv) our established working relationship with the relevant customers of these projects, our executive Directors therefore considered that the expected credit losses on contract assets were adequate.

Retention receivables for structural steelwork

Retention receivables for structural steelwork are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables for structural steelwork were classified as current assets based on its normal operating cycle.

The settlement analysis of these retention receivables for structural steelwork based on the terms of related contracts was as follows:

				As at 30 September
		As at 31 December		
	2020	**2021**	**2022**	**2023**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
To be recovered within twelve months	15,618	17,643	25,706	34,037
To be recovered more than twelve months after the end of the year/period	34,834	35,732	30,150	28,978
Total	50,452	53,375	55,856	63,015

Subsequent settlement of contract assets and subsequent recognition of contract liabilities

Our retention receivables amounted to approximately HK$63.0 million as at 30 September 2023, out of which approximately 8.7% (which amounted to approximately HK$5.5 million) had been settled up to the Latest Practicable Date. Our gross contract assets amounted to approximately HK$145.6 million as at 30 September 2023, out of which approximately 55.1% (which amounted to approximately HK$80.2 million) had been settled up to the Latest Practicable Date.

Our contract liabilities amounted to approximately HK$1.6 million as at 30 September 2023, approximately 75.0% of which had been subsequently recognised as revenue as at the Latest Practicable Date.

Loss allowances for financial assets and contract assets

Our Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The contract assets relate to unbilled revenue and retention receivables have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The loss allowance provision for trade receivables and contract assets as at 31 December 2020, 2021, 2022 and 30 September 2022 and 2023 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	**Contract assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2020	86	2,105	2,191
Reversal of impairment loss	(17)	(145)	(162)
As at 31 December 2020	69	1,960	2,029
Provision for/(Reversal of) impairment loss	449	(832)	(383)
As at 31 December 2021	518	1,128	1,646
Provision for impairment loss	2,132	1,668	3,800
As at 31 December 2022	2,650	2,796	5,446
Reversal of impairment loss	36	1,066	1,102
As at 30 September 2023	2,686	3,862	6,548
As at 1 January 2022	518	1,128	1,646
Provision for impairment loss	2,116	1,662	3,778
As at 30 September 2022 (unaudited)	2,634	2,790	5,424

Amount due from directors

Details of our amount due from directors are summarised in note 26(d) to the Accountant's Report set out in Appendix I to this document. Our amount due from directors is unsecured, interest free, repayable on demand and non-trade in nature. The amount of cash advanced to Mr. Eddie Chan of approximately HK$0.3 million during FY2020 was for his personal use and it was subsequently repaid by Mr. Eddie Chan during FY2021.

As at 31 December 2023, our amount due from directors of approximately HK$0.8 million represented cash advanced to Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan, Mr. WH Chan and Ms. Choi for their personal use. Such amount was settled by dividend in January 2024.

Amount due from a related company

Details of our amount due from a related company are summarised in note 26(d) to the Accountant's Report set out in Appendix I to this document.

Our amount due from a related company is unsecured, interest free, repayable on demand and non-trade in nature. As at 31 December 2020, 2021 and 2022 and 30 September 2023, the amount due from a related company represented advances by our Group to Wealthy River International Investment Limited ("**Wealthy River**"). Wealthy River is owned as to one-third by Mr. Kelvin Chan, one-third by Mr. Eddie Chan and one-third by Ms. Karen Chan. The principal activity of Wealthy River is properties investment. Wealthy River held several investment properties. The advances by our Group to Wealthy River was mainly used for repayment of mortgage loan for its investment properties.

During the Track Record Period, the Group made advances to Wealthy River of approximately HK$6.9 million. Our amount due from Wealthy River increased from approximately HK$6.2 million as at 31 December 2021 to approximately HK$12.0 million as at 31 December 2022, which was mainly attributable to our Group's repayment of mortgage loans (the "**Mortgage Loans**") on Wealthy River's behalf in the amount of approximately HK$6.1 million in FY2022. Prior to the repayment, the Mortgage Loans taken out by Wealthy River had been secured by certain properties owned by Wealthy River (the "**Properties**"). By early 2022, the executive Directors entered into negotiation with a bank in Hong Kong (the "**Bank**") for increasing the credit limit of the banking facilities and loans by HK$20.6 million (the "**Banking Facilities**") available to our Group. Based on the negotiation between the Bank and our Group, the Bank agreed in-principle to increase the credit limit of the banking facilities available to our Group, conditional upon the grant of legal charges by Wealthy River over the Properties in favour of the Bank. Taking into consideration the liquidity needs of our Group for project financing at the material time, the executive Directors consider that it was in the interest of our Group to accept the offer. To enable the Properties could be used as collateral for our Banking Facilities, Wealthy River procured for the release of the former legal charges over the Properties via full repayment of the Mortgage Loans. The funds used for repayment of the Mortgage Loans were financed by our Group. Upon repayment of the Mortgage Loans, the former legal charges over the Properties were simultaneously replaced by the new legal charges granted by Wealthy River in favour of the Bank under the Banking Facilities. In January 2024, the Company declared dividends of approximately HK$26.6 million of which approximately HK$10.0 million will be settled by cash and approximately HK$16.6 million was offset against the aggregate amounts due from the Directors and the related company.

Trade and retention payables

Our trade and retention payables mainly comprised payables to subcontractors, suppliers of construction materials and miscellaneous services.

Our trade payables amounted to approximately HK$32.3 million, HK$18.6 million, HK$20.1 million and HK$53.8 million as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Such fluctuation was partly due to the difference in credit periods granted by different suppliers and difference in timing of payments to our suppliers.

Our retention payables to subcontractors amounted to approximately HK$3.0 million, HK$4.3 million, HK$7.2 million and HK$5.9 million as at 31 December 2020, 2021 and 2022 and 30 September 2023. Such fluctuation depends on the practical completion, the expiry of the defect liabilities period or a pre-agreed time period of each projects involving retention payables to our subcontractors.

Trade payables turnover days

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

	FY2020	**FY2021**	**FY2022**	**For the nine months ended 30 September 2023**
	days	*days*	*days*	*days*
Trade payables turnover days	49.0	48.0	26.2	53.6

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 273 days for the nine months ended 30 September 2023).

Our trade payables turnover days were approximately 49.0 days, 48.0 days, 26.2 days and 53.6 days for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively. During the Track Record Period, our top suppliers generally granted a credit period ranged from 30 days to 90 days.

Aging analysis and subsequent settlement

The following table sets forth the aging analysis of trade payables based on the invoice date as at the end of each reporting period:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	11,648	6,313	6,851	38,853
31 – 60 days	11,793	4,672	4,998	8,884
61 – 90 days	1,340	3,358	5,307	1,531
More than 90 days	7,472	4,240	2,949	4,507
	32,253	18,583	20,105	53,775

Up to the Latest Practicable Date, approximately 87.8% of our trade payables as at 30 September 2023 had been settled:

	As at 30 September 2023	**Subsequent settlement up to the Latest Practicable Date**	
	HK$'000	*HK$'000*	*%*
Within 30 days	38,853	34,013	87.5
31-60 days	8,884	8,884	100.0
61-90 days	1,531	1,337	87.3
More than 90 days	4,507	3,000	66.6
Total	53,775	47,234	87.8

Accruals and other payables

The following table sets forth a breakdown of our Group's accruals and other payables as at the dates indicated:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued staff costs	2,719	4,831	3,470	1,766
Accruals for **[REDACTED]**	–	–	–	6,681
Other accruals and payables	2,175	2,983	4,421	3,748
Total	4,894	7,814	7,891	12,195

Our accruals and other payables increased from approximately HK$4.9 million as at 31 December 2020 to approximately HK$7.8 million as at 31 December 2021, which was mainly due to the increase in accrued staff costs of approximately HK$2.1 million as a result of the increase in number of employees as at 31 December 2021, as compared to 31 December 2020. Our accruals and other payables remained stable at HK$7.9 million as at 31 December 2022. Our accruals and other payables increased to approximately HK$12.2 million as at 30 September 2023, which was mainly due to (i) the decrease in accrued staff costs and such decrease was mainly because the balance of accrued staff costs as at 31 December 2022 included both salary and bonus to be paid, while the balance of accrued staff costs as at 30 September 2023 only included salary to be paid; (ii) the decrease in our other accruals and payables where we recorded a decrease in the amount of accrued subcontracting fees as at 30 September 2023; and (iii) the accruals for **[REDACTED]** of approximately HK$6.7 million recorded as at 30 September 2023.

INDEBTEDNESS

As of 31 December 2023, being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we do not have any other bank borrowings or any loan capital issued and outstanding or agreed to be issued, bank overdraft, liabilities under acceptance (other than normal trade bills) or acceptance credits, debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees. Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying of our bank loans or other bank facilities, default in payment of bank borrowings or breach of convenants during the Track Record Period. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 December 2023 and up to the date of this document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

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

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Non-current liabilities					
Lease liabilities	2,390	277	4,192	458	110
Current liabilities					
Amounts due to directors	16,653	13,912	5,991	1,069	–
Lease liabilities	3,276	2,337	4,352	3,782	2,896
Bank borrowings	11,201	4,703	10,638	8,208	9,886
	31,130	20,952	20,981	13,059	12,782
	33,520	21,229	25,173	13,517	12,892

Lease liabilities

During the Track Record Period, our Group leased premises, land and motor vehicle for its operations under leased arrangements over the leased term from two to 50 years.

Details of our leased liabilities are summarised in note 15 to the Accountant's Report set out in Appendix I to this document.

Amounts due to directors

Details of our amounts due to directors are summarised in note 26(d) to the Accountant's Report set out in Appendix I to this document.

Our amounts due to directors are unsecured, interest free, repayable on demand and non-trade in nature. As at 31 December 2020, 2021 and 2022 and 30 September 2023, the amounts due to directors represented cash advanced by Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan, Mr. WH Chan and Ms. Choi to our Group for working capital purpose.

Bank borrowings

The following table sets forth a breakdown of our Group's bank borrowings as at the respective dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current, secured and guaranteed					
– Bank loans	7,201	1,354	7,096	8,208	9,886
– Bank overdrafts	–	–	2,184	–	–
	7,201	1,354	9,280	8,208	9,886
Current, guaranteed					
– Bank loans	4,000	3,349	1,358	–	–
	11,201	4,703	10,638	8,208	9,886

As at 31 December 2020, 2021 and 2022, 30 September 2023 and 31 December 2023, (i) non-revolving loan facility amounted to approximately nil, nil, HK$6.0 million, HK$7.2 million and HK$7.0 million, and revolving loan facility amounted to approximately HK$5.6 million, nil, HK$2.2 million, nil and HK$2.0 million are guaranteed by Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan and Mr. WH Chan, secured by properties owned by Wealthy River International Investment Limited, and life insurance contracts owned by Mr. Kelvin Chan and Ms. Karen Chan; (ii) SME non-revolving loan facilities amounted to approximately HK$4.0 million, HK$3.3 million, HK$1.4 million, nil and nil are guaranteed by HKMC Insurance Limited, Mr. Kelvin Chan and Mr. Eddie Chan; and (iii) non-revolving loan facility amounted to approximately HK$1.6 million, HK$1.4 million, HK$1.1 million, HK$1.0 million and HK$0.9 million are secured by the properties owned by Wealthy River International Investment Limited, Mr. WH Chan and Ms. Choi, and guaranteed by Mr. Kelvin Chan, Mr. Eddie Chan and Mr. WH Chan, respectively.

The personal guarantee of Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan and Mr. WH Chan and legal charge over properties owned by Wealthy River International Investment Limited, Mr. WH Chan and Ms. Choi will either be replaced by our Company's corporate guarantee upon **[REDACTED]**, or released before or upon **[REDACTED]**. For those banking facilities in which guarantee provided by HKMC Insurance Limited, would be cancelled upon **[REDACTED]**.

As at 31 December 2023, being the most recent practicable date for purpose of the disclosure of our liquidity position, we had unutilised banking facilities of approximately HK$43.0 million, which include a SME non-revolving loan facility amounted to approximately HK$10.0 million which would be cancelled upon **[REDACTED]**.

Contingent Liabilities

During the Track Record Period and up to 30 September 2023, our Group has been subject to a number of claims due to personal injuries suffered by our employees or our subcontractors in accidents arising out of and in the course of their employment. Details of which are disclosed in the paragraph headed "Business – Litigation and claims" in this document. Our Directors are of the opinion that such claims are covered by insurance and will not result in any material adverse impact on the financial position or results and operations of our Group. No provision has been made in respect of these claims in the historical financial information.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

KEY FINANCIAL RATIO

	FY2020 or as at 31 December 2020	FY2021 or as at 31 December 2021	FY2022 or as at 31 December 2022	Nine months ended 30 September 2023 or as at 30 September 2023
Gross profit margin	17.0%	15.5%	19.9%	20.0%
Net profit margin	11.3%	7.6%	11.7%	6.4%
Return on equity	45.2%	17.7%	30.1%	11.9%
Return on total assets	22.4%	11.4%	19.9%	6.8%
Current ratio	1.8 times	2.5 times	2.8 times	2.1 times
Quick ratio	1.8 times	2.5 times	2.8 times	2.1 times
Trade receivables turnover days	25.0 days	26.3 days	19.8 days	19.9 days
Trade payables turnover days	49.0 days	48.0 days	26.2 days	53.6 days
Gearing ratio	41.3%	21.7%	19.3%	10.7%
Net debt to equity ratio	23.4%	9.7%	(35.0%)	(4.4%)
Interest coverage	92.8 times	44.0 times	138.0 times	58.4 times

Gross profit margin

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

Net profit margin

Our net profit margin decreased from approximately 11.3% for FY2020 to approximately 7.6% for FY2021, but increased to approximately 11.7% for FY2022. Such changes were mainly due to the changes in our gross profit margin, other income, administrative expenses and impairment losses on financial assets and contract assets as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin decreased from approximately 11.5% for the nine months ended 30 September 2022 to approximately 6.4% for the nine months ended 30 September 2023. Such decrease was mainly due to the **[REDACTED]** of approximately HK$12.2 million incurred during the nine months ended 30 September 2023. For further details, please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section.

Return on equity

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

Our return on equity was approximately 45.2%, 17.7% and 30.1% for each of FY2020, FY2021 and FY2022, respectively. Our return on equity was lower for FY2021 mainly due to the decrease in our net profit and net profit margin primarily as a result of the decrease in revenue and gross profit as discussed in the paragraph headed "Period-to-Period Comparison of results of operations" in this section. As a result, our return on equity was negatively affected for FY2021.

Our return on equity decreased from approximately 29.8% for the nine months ended 30 September 2022 to approximately 11.9% for the nine months ended 30 September 2023, mainly due to the decrease in our net profit and net profit margin primarily as a result of the **[REDACTED]** incurred as discussed above.

Return on total assets

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

Our return on total assets was approximately 22.4%, 11.4% and 19.9% for each of FY2020, FY2021, FY2022, respectively. Our return on total assets was approximately 17.9% and 6.8% for the nine months ended 30 September 2022 and 2023, respectively. The change in our return on total assets over the Track Record Period was mainly due to reasons similar to those for the change in our return on equity as discussed above.

Current ratio

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

Our current ratio increased from approximately 1.8 times as at 31 December 2020 to approximately 2.5 times as at 31 December 2021. Such increase was mainly due to the decrease in our current liabilities of approximately 32.0% during FY2021, which was primarily attributable to the decrease in trade and retention payables of approximately HK$12.4 million during FY2021. Our current ratio further increased to approximately 2.8 times as at 31 December 2022. Such increase was mainly due to the increase in our current assets as a result of our profitable operation. Our current ratio decreased to approximately 2.1 times as at 30 September 2023 which was mainly due to the increase in current liabilities of approximately 54.1% during the nine months ended 30 September 2023, which was primarily attributable to the increase in trade and retention payables of approximately HK$32.4 million.

Quick ratio

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

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 273 days for the nine months ended 30 September 2023).

Please refer to the paragraph headed "Discussion of selected statement of financial position items – Trade receivables – Trade receivables and unbilled revenue turnover days" in this section for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 273 days for the nine months ended 30 September 2023).

Please refer to the paragraph headed "Discussion of selected statement of financial position items – Trade payables – Trade payables turnover days" in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

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

Our gearing ratio decreased from approximately 41.3% as at 31 December 2020 to approximately 21.7% as at 31 December 2021, which was mainly due to the repayment of bank borrowings during FY2021. Our gearing ratio subsequently decreased to approximately 19.3% as at 31 December 2022. Such decrease was mainly because of the increase in total equity during FY2022. Our gearing ratio further decreased to approximately 10.7% as at 30 September 2023. Such decrease was mainly due to the decrease in total borrowings.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, amounts due to directors and lease liabilities, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio was approximately 23.4% and 9.7% as at 31 December 2020 and 2021, respectively. We recorded net cash positions as at 31 December 2022 and 30 September 2023, which was because we had a relatively higher level of cash and cash equivalents as compared to the level of debt.

Interest coverage

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

Our interest coverage decreased from approximately 92.8 times as at 31 December 2020 to approximately 44.0 times as at 31 December 2021. Such decrease was mainly due to the decrease in net profit during FY2021 as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section, which resulted in a lower interest coverage as at 31 December 2021. Our interest coverage increased to approximately 138.0 times as at 31 December 2022. The increase in interest coverage was mainly due to the increase in profit before interest and tax as a result of our profitable operation.

Our interest coverage decreased from approximately 142.9 times as at 30 September 2022 to approximately 58.4 times a at 30 September 2023. Such decrease in our interest coverage was mainly due to the increase in finance costs and the decrease in profit before interest and tax as a result of the incurrence of **[REDACTED]** during the nine months ended 30 September 2023.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 26 to the Accountant's Report set out in Appendix I to this document. During the Track Record Period, our transactions with related parties which have been accounted for in our consolidated statements of comprehensive income mainly included the following:

				For the nine months ended 30 September	
	FY2020	**FY2021**	**FY2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Rental paid in relation to short-term rental contract entered into with Wealthy River International Investment Limited	480	480	480	360	405
Directors' remunerations:					
Mr. Kelvin Chan	1,461	1,683	1,683	1,012	1,012
Mr. Eddie Chan	3,144	3,596	3,653	2,270	2,248
Ms. Karen Chan	1,253	1,443	1,443	869	869
Mr. WH Chan	1,084	1,236	1,264	793	783
Ms. Choi	520	600	600	360	360
	7,942	9,038	9,123	5,664	5,677

Our Directors confirm that all transactions with related parties described in note 26 of the Accountant's Report were conducted on normal commercial terms determined after arm's length negotiation having considered the rental paid for our office is comparable to the prevailing market rent of comparable properties in similar locations, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to credit risk, liquidity risk and market risk (including foreign exchange risk and cash flow interest rate risk) in the normal course of business. We regularly manages the aforementioned risks. Having considered the simplicity of our financial structure and operations, no hedging activities is undertaken. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and note 3 of the Accountant's Report set out in Appendix I to this document.

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our overall strategy remains unchanged through the Track Record Period.

[REDACTED]

[REDACTED]

DISTRIBUTABLE RESERVE

Our Company was incorporated on 28 June 2023 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 December 2020, 2021 and 2022 and 30 September 2023.

DIVIDEND

No dividend has been paid or declared by our Company for the Track Record Period.

Dividends of HK$8.2 million, nil, HK$8.0 million and HK$20.0 million were declared and settled by the companies now comprising our Group to their then shareholders, during each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, respectively.

In January 2024, the Company declared dividends of approximately HK$26.6 million of which approximately HK$10.0 million will be settled by cash and approximately HK$16.6 million was offset against the aggregate amounts due from the Directors and the related company.

[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately HK$**[REDACTED]** million, comprising (i) **[REDACTED]**-related expenses, including **[REDACTED]**, of approximately HK$**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** million, including (a) fees paid and payable to legal advisers and reporting accountant of approximately HK$**[REDACTED]** million; and (b) other fees and expenses, including sponsor fees, of approximately HK$**[REDACTED]** million. Out of the amount of approximately HK$**[REDACTED]** million, approximately HK$**[REDACTED]** million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately HK$**[REDACTED]** million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$**[REDACTED]** million that shall be charged to profit or loss, **[REDACTED]** has been charged for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023. The **[REDACTED]** are expected to represent approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range) and the **[REDACTED]** is not exercised. Our Group's financial performance and results of operations for FY2023 and FY2024 will be adversely affected by the estimated expenses in relation to the **[REDACTED]**.

PROFIT ESTIMATE [REDACTED]

Our Directors estimate, on the bases as set out in Appendix III to this document and in the absence of unforeseen circumstances, that our estimated consolidated profit attributable to owners of our Company for **[REDACTED]** to be as follows:

Estimated consolidated profit attributable to owners of our Company **[REDACTED]**	not less than approximately HK$**[REDACTED]** million

Note: The estimated consolidated profit attributable to owners of our Company for **[REDACTED]** has taken into account of our estimated **[REDACTED]** of approximately HK$**[REDACTED]** million incurred during the **[REDACTED]**.

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on the audited consolidated results of our Group for the nine months ended 30 September 2023 as set out in the Accountant's Report in Appendix I to this document and the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 December 2023.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]** up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 September 2023, and there had been no events since 30 September 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set out in Appendix I to this document.

BUSINESS OBJECTIVES AND STRATEGIES

Our Group will endeavor to expand our business operations by adopting our business strategies through the following implementation plans. For details of our business strategies, please refer to the paragraph headed "Business – Business strategies" in this document. Our Group's actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will be materialised in accordance with the expected time frame or that the business objectives of our Group will be accomplished at all.

REASONS FOR THE [REDACTED]

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the Hong Kong structural steelwork industry. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional and/or sizeable structural steelwork projects, from both our existing and potential new customers, on top of our present scale of operation and our current projects on hand. Our Directors believe that the **[REDACTED]** is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- the **[REDACTED]** from the **[REDACTED]** will provide additional financial resources to our Group for our business plans as set out in the paragraph headed "Business – Business strategies" of this document, which will further strengthen our market position and expand our market share in the structural steelwork industry in Hong Kong;

- a public **[REDACTED]** status will enhance our corporate profile and recognition and enable our Group to be considered more favourably by our customers when tendering for structural steelwork projects, given that a **[REDACTED]** company is subject to ongoing regulatory compliance for announcements, financial disclosures and corporate governance;

- the **[REDACTED]** will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders. Such platform would allow us to gain direct access to the capital market for equity and/or debt financing, both at the time of the **[REDACTED]** as well as at later stage, to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance to enhance Shareholders' return; and

- upon the **[REDACTED]**, our Shares will be freely traded on the Stock Exchange. A public **[REDACTED]** status will offer us a broader shareholder base which could lead to a more liquid market in the **[REDACTED]** of our Shares.

Funding needs for implementing our business strategies

As at 30 September 2023, our cash and cash equivalents, which represents our immediately available working capital, amounted to approximately HK$19.1 million, as set out in the paragraph headed "Financial information – Net current assets" in this document. Our Directors consider that the amount of our available working capital fluctuates from time to time, depending on the timing of (i) payment from our customers; and (ii) payment to our subcontractors and suppliers of materials and other services. The average monthly expenses incurred by us, primarily comprising staff cost, subcontracting fees for structural steel fabrication works and construction site works, cost of materials, machinery service fees, administrative expenses and other miscellaneous expenses for our daily operations during the Track Record Period was approximately HK$21.3 million. In light of our ability to obtain new projects and the associated working capital requirements, our Directors consider that it is financially prudent for us to reserve our current available cash resources for meeting our operating expenses.

In view of the aforesaid, our current available working capital would not have room for our further business expansion such as expanding our production capacity, expanding our workforce and/or undertaking additional and/or sizeable projects which would inevitably require more available cash for up-front costs and general working capital. Therefore, our Directors consider that we will need to raise additional funding through the **[REDACTED]** to facilitate the implementation of our future plans, while reserving our current available working capital for our existing business operations.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Company's subsidiaries declared and settled dividends by cash of HK$8.2 million, nil, HK$8.0 million and HK$20.0 million to their then shareholders, respectively. Our Directors consider that it was commercially reasonable and justifiable for our Group to declare and settle the dividends aforesaid instead of reinvesting such cash resources in our Group's operations during the Track Record Period, taking into consideration the followings:

(i) the declaration and settlement of dividends was mainly for rewarding the shareholders for their ownership in the company and realising the value of and providing a direct financial return on the investment made by the respective shareholders. In fact, it is fairly common that listed companies in Hong Kong, regardless of their market capitalisation or business scale, would declare and distribute certain retained earnings as dividends to their pre-IPO shareholders as a way to reward their past contributions to the companies prior to the listings;

(ii) our Group remained profitable throughout the Track Record Period. For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, our Group's total comprehensive income for the year/period was approximately HK$35.6 million, HK$16.7 million, HK$40.7 million and HK$15.9 million, respectively;

(iii) as at 31 December 2020, 2021, 2022 and 30 September 2023, our Group recorded retained earnings of approximately HK$81.2 million, HK$98.5 million, HK$129.8 million and HK$124.9 million, respectively. The amount of dividend declared and settled by our Group for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 accounted for approximately 10.1%, nil, 6.2% and 16.0% of our retained earnings as at the end of the corresponding year/period, respectively; and

(iv) as at 31 December 2020, 2021, 2022 and the nine months ended 30 September 2023, our Group recorded amounts due to Directors of approximately HK$16.7 million, HK$13.9 million, HK$6.0 million and HK$1.1 million, respectively. Our amounts due to Directors are non-trade in nature and represented cash advanced by our Controlling Shareholders, also being our Directors, Mr. Kelvin Chan, Mr. Eddie Chan, Ms. Karen Chan, Mr. WH Chan and Ms. Choi to our Group for working capital purpose. The success of our Group is underpinned by the continuous financial support provided by our Controlling Shareholders, which provided the necessary working capital for project financing and business expansion. Their contributions are vital to us in achieving the present scale of our business as well as market presence in the Hong Kong structural steelwork industry. According to the Industry Report, our Group ranked third in the Hong Kong structural steelwork industry in terms of revenue in 2022, and accounted for approximately 3.4% of the market share in 2022; and

(v) our Group represents the core family asset of our Controlling Shareholders. The two generations of our Controlling Shareholders' family (all being our Directors) have devoted significant parts of their careers and resources in building up our Group's business. But for their contributions throughout the years, we would not have become one of the established market players in the Hong Kong structural steelwork industry. The distribution of dividends to our Controlling Shareholders is an appropriate and fair way to reward their personal contributions to our development.

USE OF [REDACTED]

We estimate that the **[REDACTED]** from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**, after deducting the related expenses, are estimated to be approximately HK$**[REDACTED]** million. We intend to apply such **[REDACTED]** in the following manner:

(a) approximately HK$**[REDACTED]** million, representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for financing the up-front costs of our projects;

Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incur project up-front costs; and (ii) the time when our accumulated net cash outflows in respect of a project starts to decrease from its peak is on average 11 months from the commencement of the project (the "**Up-front Period**"). In respect of our top projects for each year/period during the Track Record Period, we generally received the first progress payment from the relevant customer five months after commencement of the project. Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 12% of the contract sum of the project. The specific amount of up-front costs incurred may vary from project to project, depending on the scale of the project, the party being responsible for the procurement of materials, the schedule of project implementation and the length of our business relationships with the relevant customers. In addition, we may experience cash flow mismatch from time to time as our projects progress, which largely depend on (i) the certification process of our customers; (ii) our customers' internal process for approving our invoices; (iii) the required settlement time to our suppliers; and (iv) the number and scale of our projects in progress. The liquidity needs of our projects would therefore impose a constraint on the number and/or scale of the projects which we could undertake concurrently if we solely rely on our operating cash flow to support our expansion.

Our executive Directors have earmarked three projects which we intend to apply our **[REDACTED]** towards fulfilling part of the relevant up-front costs. Out of the three earmarked projects, (i) one of the projects with an estimated contract sum of approximately HK$388.0 million involving a commercial development in Causeway Bay, has already been secured by us in September 2023; and (ii) the remaining two projects represent tenders submitted by our Group of which our Directors consider that we would likely be able to secure taking into account the latest negotiation with the relevant customer.

The following table sets forth the particulars of these earmarked projects:

Project No.	**Customer**	**Private/ public sector**	**Nature of projects**	**Status**	**Date of commencement and completion of our works** *(Note)*	**Estimated contract sum/Tender amount** *HK$'000*	**Estimated amount of up-front costs** *HK$'000*
#13	Hip Hing Group	Private	Commercial	Successful	Commencement: Third quarter of 2023 Completion: Fourth quarter of 2025	388,000	46,560
T01	Customer Group E	Public	Infrastructure and public facilities	Submitted revised tender based on negotiation with customer and attended tender interview	Commencement: Second quarter of 2024 Completion: Third quarter of 2026	201,430	24,172

Project No.	Customer	Private/ public sector	Nature of projects	Status	Date of commencement and completion of our works *(Note)*	Estimated contract sum/Tender amount *HK$'000*	Estimated amount of up-front costs *HK$'000*
T02	Customer Group E	Public	Infrastructure and public facilities	Submitted revised tender based on negotiation with customer	Commencement: Second quarter of 2024 Completion: Fourth quarter of 2025	166,256	19,951
					Total	755,686	90,683

Note: The expected commencement and completion dates are provided based on our management's best estimation. In making the estimation, our management takes into account factors including the letter of award (if applicable), the tender information available from the relevant customers and the estimated work schedule.

In September 2023, our Group secured Project No. #13 with an estimated contract sum of approximately HK$388.0 million, involving a commercial development in Causeway Bay, from Hip Hing Group. Project No. #13 represents the largest project obtained by us in terms of estimated contract sum during the Track Record Period. In September 2023, our Group had commenced preparation works for Project No. #13. Based on the expected work schedule of Project No. #13, our Directors anticipated that a substantial part of works under Project No. #13 will only be performed from the second quarter of 2024 onwards and we will incur a substantial amount of up-front costs for the payment for the requisite materials and subcontracting services for Project No. #13 from the second quarter of 2024.

Although our executive Directors consider that we would likely be able to secure the tender for Project No. T01 and T02 based on their latest tender status as set out above, there is no assurance that such tenders will eventually be awarded to us. Should we be unable to secure such project, we will utilise the **[REDACTED]** from the **[REDACTED]** allocated for financing the project up-front costs of other successful projects. As at the Latest Practicable Date, our Group had 49 submitted tenders (without taking into account Project No. T01 and T02), with an aggregate estimated tender amount of approximately HK$1.3 billion, which were still undergoing tender selection process and pending tender result.

In the event that the **[REDACTED]** designated by us are insufficient to fully fund the up-front costs of those projects successfully obtained by us, we currently plan to finance the shortfall by our internal resources and/or debt financing.

There is inherent uncertainty involved in predicting the number and scale of projects which will eventually be awarded to us and when exactly we are required to make available cash for project up-front costs. Further, the time required to complete tender review process and the subsequent award of contract varies depending on the customer and project size. Therefore, there is no assurance that we can accurately estimate when the results for the tenders we submitted are released or when exactly we are required to incur the up-front costs for the projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender; (ii) the particular customer's internal arrangement which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make payments to our subcontractors and suppliers; and (iv) our negotiation with our customers which may in turn affect the payment terms of our projects.

(b) approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for acquiring a piece of land within or in proximity to Dongguan, the PRC, and setting up a new production facility with a gross floor area of approximately 16,000 sq.m. and a maximum annual production capacity of approximately 6,600 tonnes (the "**New Production Facility**").

The capital expenditure for the establishment of the New Production Facility is estimated to be approximately RMB45.0 million (equivalent to approximately HK$48.9 million) in aggregate, of which approximately RMB25.0 million (equivalent to approximately HK$27.2 million) is for the acquisition of land and approximately RMB20.0 million (equivalent to approximately HK$21.7 million) is for the construction and setup of the New Production Facility.

As at the Latest Practicable Date, our Group had engaged a property agent in the PRC for identifying suitable land for the New Production Facility based on the following criteria: (i) being located within or in proximity to Dongguan, the PRC; (ii) the estimated consideration for the land shall range from RMB20.0 million to RMB25.0 million; (iii) the land is for industrial use and our Group shall be allowed to construct production facilities, offices and ancillary facilities on the land; (iv) having obtained valid land use certificate; (v) being free from any subsisting or potential defects to the title of land or any third party claims; (vi) there being no major difficulties in obtaining approval or consent from relevant government authorities for the transfer of land; and (vii) being equipped with the necessary infrastructural facilities such as electricity, drainage and sewage treatment. The estimated consideration of approximately RMB25.0 million (equivalent to approximately HK$27.2 million) for the acquisition of land is determined with reference to the market price of similar land as informed by the property agent in the PRC. The property agent has informed us that based on the search and enquiry performed, at least five targets which fulfil the above criteria are available in the market for the time being.

The capital expenditure for the setup of the New Production Facility was determined with reference to a fee quotation obtained from a construction contractor in the PRC for the construction and setup of the New Production Facility. According to the fee quotation provided by the construction contractor, the capital expenditure for setting up the New Production Facility is approximately RMB20.0 million (equivalent to approximately HK$21.7 million) comprising the cost of constructing production facility buildings, basic fitting-out and interior decorations, setting up a gantry crane and procurement of necessary machinery and tools, mainly including cranes, cutting machines, drilling machines, grinding machines and welding machines, etc..

Our Directors currently expect that out of the HK$48.9 million, approximately HK$**[REDACTED]** million will be financed with the **[REDACTED]** from the **[REDACTED]** and the remaining HK$**[REDACTED]** million will be financed with our internal resources and/or debt financing; and

(c) approximately HK$**[REDACTED]** million, representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, will be used for further expanding and strengthening our manpower by recruiting three project managers and one engineer.

BASIS AND ASSUMPTIONS

The implementation plan set out by our Directors is based on the following assumptions:

- there will be no impediments, legal or otherwise, such as obtaining the relevant land use right certificate(s) and construction permits, which would materially disrupt our acquisition of land and/or construction of the New Production Facility;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material changes in the funding requirement for each of our Group's future plans described in this document from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no changes in the effectiveness of the licences, permits and qualifications obtained by our Group, where applicable;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk factors" in this document.

There can be no assurance that the **[REDACTED]** from the **[REDACTED]** will be sufficient for fully implementing our business expansion plans. For instance, (i) the acquisition costs for a piece of land within or in proximity to Dongguan, the PRC, for production facility use and the construction costs for the New Production Facility may exceed the **[REDACTED]** allocated for such purpose as set out above; (ii) the up-front costs requirement for projects awarded to us may exceed the **[REDACTED]** allocated for such purpose as set out above; and (iii) the number of additional staff we intend to recruit may not fulfil the manpower needs as we continue to undertake additional and more sizeable projects. In the event any of the above occurs or that the **[REDACTED]** becomes unsuccessful such that the **[REDACTED]** from the **[REDACTED]** becomes unavailable to us, we may adjust the timing and scale of our business expansion plans and/or seek alternative form of financing.

To the extent that the **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by the applicable laws and regulations, we will deposit the **[REDACTED]** into short-term interest-bearing deposits with licensed commercial banks in Hong Kong and/or other authorised financial institutions (as defined under the SFO).

In the event that the **[REDACTED]** is exercised in full, we estimate that we will receive additional **[REDACTED]** from the sales of these additional **[REDACTED]** of approximately HK$**[REDACTED]** million, after deducting the **[REDACTED]** and other estimated **[REDACTED]** expenses payable by us and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the proposed **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]**. In the event that the **[REDACTED]** is set at the low-end of the proposed **[REDACTED]** range and the **[REDACTED]** is exercised in full, our Company will receive additional **[REDACTED]** of approximately HK$**[REDACTED]** million. In the event that the **[REDACTED]** is set at the high-end of the proposed **[REDACTED]** range and the **[REDACTED]** is exercised in full, our Company will receive additional **[REDACTED]** of approximately HK$**[REDACTED]** million. The allocation of the additional **[REDACTED]** will be used in the same proportions as set out above.

Assuming the **[REDACTED]** is not exercised at all, and in the event that the **[REDACTED]** is set at the highest or lowest point of the indicative **[REDACTED]** range, the **[REDACTED]** to be received from the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]** million, respectively. In such event, the **[REDACTED]** will be used in the same proportions as disclosed above.

We will issue an announcement in the event that there is any material change in the use of **[REDACTED]** of the **[REDACTED]** as described above.

[REDACTED]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WK GROUP (HOLDINGS) LIMITED AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of WK Group (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 September 2023, the Company's statement of financial position as at 30 September 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "Document") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 30 September 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial

Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by WK Group (Holdings) Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*5*	324,292	228,776	336,384	251,561	235,038
Cost of services	*7*	(269,254)	(193,359)	(269,445)	(202,279)	(188,044)
Gross profit		55,038	35,417	66,939	49,282	46,994
Other income	*6*	1,283	133	2,611	2,579	40
Other gain/(loss), net	*6*	112	159	123	86	(540)
Administrative expenses	*7*	(12,695)	(14,670)	(19,078)	(13,441)	(12,075)
[REDACTED]		–	–	–	–	(12,184)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets	*3.1(a)*	162	383	(3,800)	(3,778)	(1,102)
Operating profit		43,900	21,422	46,795	34,728	21,133
Finance income	*10*	23	39	95	38	182
Finance costs	*10*	(496)	(526)	(434)	(281)	(544)
Finance costs, net		(473)	(487)	(339)	(243)	(362)
Profit before income tax expense		43,427	20,935	46,456	34,485	20,771
Income tax expense	*11*	(6,721)	(3,599)	(7,191)	(5,629)	(5,656)
Profit for the year/period attributable to owners of the Company		36,706	17,336	39,265	28,856	15,115
Earnings per share attributable to owners of the Company						
Basic and diluted (expressed in HK$'000 per share) *(Note)*	*12*	36,706	17,336	39,265	28,856	15,115
Profit for the year/period		36,706	17,336	39,265	28,856	15,115
Other comprehensive (losses)/ income:						
Item that may be reclassified to profit or loss:						
Currency translation differences		(1,149)	(636)	1,482	1,829	826
Total comprehensive income for the year/period attributable to owners of the Company		35,557	16,700	40,747	30,685	15,941

Note: The earnings per share presented above has not been taken into account the proposed **[REDACTED]** pursuant to the resolutions in writing of the shareholders passed on 5 February 2024 because the proposed **[REDACTED]** has not become effective as at the date of this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
	Notes	**2020**	**2021**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets					
Property, plant and equipment	*14*	9,132	9,296	7,100	6,471
Right-of-use assets	*15*	8,426	4,798	10,546	6,139
Deferred income tax assets	*16*	715	–	534	765
Investments in life insurance contracts	*20*	3,237	3,360	3,460	5,845
Deposits	*18*	758	67	1,013	873
		22,268	17,521	22,653	20,093
Current assets					
Trade receivables	*18*	10,912	22,094	14,493	19,773
Contract assets	*19*	97,051	81,972	73,758	141,770
Other receivables, deposits and prepayments	*18*	12,165	12,775	3,651	11,116
Amount due from a director	*26*	297	–	–	–
Amount due from a related company	*26*	6,308	6,171	12,018	11,724
Tax recoverable		–	382	–	–
Cash and cash equivalents	*21*	14,536	11,729	70,880	19,121
		141,269	135,123	174,800	203,504
Total assets		163,537	152,644	197,453	223,597
Equity					
Equity attributable to owners of the Company					
Share capital	*22*	–	–	–	–*
Capital reserve	*22*	1,700	1,700	1,700	1,700
Reserves		(1,723)	(2,359)	(877)	(51)
Retained earnings		81,164	98,500	129,765	124,880
Total equity		81,141	97,841	130,588	126,529
Liabilities					
Non-current liabilities					
Lease liabilities	*15*	2,390	277	4,192	458
Deferred income tax liabilities	*16*	185	224	–	–
		2,575	501	4,192	458

* The amount is below HK$1,000.

		As at 31 December			As at 30 September
	Notes	**2020**	**2021**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and retention payables	*23*	35,269	22,895	27,280	59,655
Accruals and other payables	*23*	4,894	7,814	7,891	12,195
Amounts due to directors	*26*	16,653	13,912	5,991	1,069
Contract liabilities	*19*	4,254	2,641	2,200	1,598
Lease liabilities	*15*	3,276	2,337	4,352	3,782
Bank borrowings	*24*	11,201	4,703	10,638	8,208
Current income tax liabilities		4,274	–	4,321	10,103
		79,821	54,302	62,673	96,610
Total liabilities		82,396	54,803	66,865	97,068
Total equity and liabilities		163,537	152,644	197,453	223,597

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	**As at 30 September 2023** *HK$'000*
Assets		
Non-current assets		
Investment in subsidiary *(Note)*		150,360
Current assets		
Prepayments	*18*	4,787
Total assets		155,147
Equity		
Equity attributable to the owners of the Company		
Share capital	*22*	–*
Capital reserve	*22*	150,360
Accumulated losses	*22*	(12,184)
Total equity		138,176
Liabilities		
Current liabilities		
Accruals and other payables	*23*	6,681
Amounts due to subsidiaries	*26*	10,290
		16,971
Total equity and liabilities		155,147

Note: The investment in subsidiary represents the carrying amount of the share of the equity items shown in the separate financial statements of Wing Kei Hong Kong. (Note 1.2).

* The amount is below HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company				
	Note	**Share capital (Note 22)** *HK$'000*	**Capital reserve (Note 22)** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2020		–	1,700	(574)	52,658	53,784
Profit for the year		–	–	–	36,706	36,706
Other comprehensive losses for the year		–	–	(1,149)	–	(1,149)
Total comprehensive income for the year		–	–	(1,149)	36,706	35,557
Dividend	*13*	–	–	–	(8,200)	(8,200)
Balance at 31 December 2020		–	1,700	(1,723)	81,164	81,141
Balance at 1 January 2021		–	1,700	(1,723)	81,164	81,141
Profit for the year		–	–	–	17,336	17,336
Other comprehensive losses for the year		–	–	(636)	–	(636)
Total comprehensive income for the year		–	–	(636)	17,336	16,700
Balance at 31 December 2021		–	1,700	(2,359)	98,500	97,841
Balance at 1 January 2022		–	1,700	(2,359)	98,500	97,841
Profit for the year		–	–	–	39,265	39,265
Other comprehensive income for the year		–	–	1,482	–	1,482
Total comprehensive income for the year		–	–	1,482	39,265	40,747
Dividend	*13*	–	–	–	(8,000)	(8,000)
Balance at 31 December 2022		–	1,700	(877)	129,765	130,588

		Attributable to owners of the Company				
	Note	**Share capital (Note 22)** *HK$'000*	**Capital reserve (Note 22)** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2022		–	1,700	(2,359)	98,500	97,841
Profit for the period		–	–	–	28,856	28,856
Other comprehensive income for the period		–	–	1,829	–	1,829
Total comprehensive income for the period		–	–	1,829	28,856	30,685
Dividend	*13*	–	–	–	(8,000)	(8,000)
Balance at 30 September 2022 (Unaudited)		–	1,700	(530)	119,356	120,526
Balance at 1 January 2023		–	1,700	(877)	129,765	130,588
Profit for the period		–	–	–	15,115	15,115
Other comprehensive losses for the period		–	–	826	–	826
Total comprehensive income for the period		–	–	826	15,115	15,941
Dividend	*13*	–	–	–	(20,000)	(20,000)
Issuance of share of the Company*		–*	–	–	–	–*
Balance at 30 September 2023		–	1,700	(51)	124,880	126,529

* The amount is below HK$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	*25(a)*	15,254	18,947	82,249	68,696	(14,689)
Income tax paid		(6,779)	(7,492)	(3,242)	(46)	(84)
Net cash generated from/(used in) operating activities		8,475	11,455	79,007	68,650	(14,773)
Cash flows from investing activities						
Purchase of plant and equipment	*14*	(3,666)	(1,126)	(318)	(318)	(1,156)
Purchase of investments in insurance contracts	*20*	–	–	–	–	(2,846)
Proceeds from disposal of plant and equipment		–	–	23	–	–
Advance to a related company		(238)	(343)	(6,327)	(6,300)	(111)
Advance to a director		(297)	–	–	–	–
Repayment from a director		–	297	–	–	–
Finance income received		1	15	73	38	182
Net cash used in investing activities		(4,200)	(1,157)	(6,549)	(6,580)	(3,931)
Cash flows from financing activities						
Proceeds from bank borrowings	*25(b)*	20,728	18,373	15,511	15,511	2,000
Repayments of bank borrowings	*25(b)*	(11,308)	(24,871)	(11,760)	(11,133)	(2,246)
Dividend paid	*13*	(8,200)	–	(8,000)	(8,000)	(20,000)
Payment for principal and interest of lease liabilities	*25(b)*	(3,597)	(3,538)	(2,928)	(2,185)	(3,155)
Payments of **[REDACTED]**		–	–	–	–	(2,127)
Finance cost paid	*25(b)*	(227)	(352)	(316)	(226)	(336)
Repayment to directors	*25(b)*	(5,315)	(2,741)	(7,921)	(4,721)	(4,922)
Net cash used in financing activities		(7,919)	(13,129)	(15,414)	(10,754)	(30,786)
Net (decrease)/increase in cash and cash equivalents		(3,644)	(2,831)	57,044	51,316	(49,490)
Cash and cash equivalents at beginning of the year/period		18,148	14,536	11,729	11,729	68,696
Exchange difference on cash and cash equivalents		32	24	(77)	(115)	(85)
Cash and cash equivalents at end of the year/period	*21*	14,536	11,729	68,696	62,930	19,121

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

WK Group (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 28 June 2023 as an exempted company with limited liability under Companies Act (as revised) of the Cayman Islands. The address of the Company's registered office is Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman KY1-9006, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are engaged in the provision of structural steelwork in Hong Kong (the "**[REDACTED]** Business"). The ultimate holding company of the Company is WK (BVI) Limited ("WK (BVI)"), a limited liability company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling shareholders of the Group are Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man (together the "Controlling Shareholders").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the **[REDACTED]** Business was carried out by Wing Kei Structural Metalworks Company Limited ("Wing Kei Hong Kong"), a limited liability company established in Hong Kong, and Dongguan Yongji Metal Component Manufacturing Co., Ltd ("Wing Kei Dongguan"), a limited liability company established in the People's Republic of China, (collectively known as the "Operating Entities"). Immediately before the Reorganisation, the entire equity interest of Wing Kei Dongguan was directly wholly-owned by Wing Kei Hong Kong. Wing Kei Hong Kong was held as to 100% by the Controlling Shareholders.

In preparation for the **[REDACTED]** and **[REDACTED]** of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the **[REDACTED]** Business. The Reorganisation involved the following steps:

(1) Incorporation of the ultimate holding company in the BVI

On 26 June 2023, WK (BVI) was incorporated in the BVI with limited liability. As at the date of incorporation, WK (BVI) was authorised to issue a maximum of 50,000 shares of a single class with a par value of United States dollar ("US$") 1 each.

On the date of its incorporation, WK (BVI) allotted and issued 30 shares, 30 shares, 15 shares, 15 shares and 10 shares with a par value of US$1 each as fully paid to Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man, respectively, representing 30%, 30%, 15%, 15% and 10% of the issued share capital of WK (BVI).

(2) Incorporation of the Company

On 28 June 2023, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of the Company was Hong Kong Dollar ("HK$") 380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each.

On the date of its incorporation, the Company allotted and issued one share at par and credited as fully paid to an independent nominee subscriber, which was then transferred to WK (BVI) pursuant to an instrument of transfer. Upon completion of such allotment and issue, the Company became directly wholly-owned by WK (BVI).

(3) Incorporation of an offshore subsidiary in the BVI

On 4 July 2023, WK Development Group Limited ("WK Development") was incorporated in the BVI with limited liability as an intermediate holding company of the Group. As at the date of incorporation, WK Development was authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each. On the date of incorporation, 100 ordinary share of WK Development was allotted and issued to the Company. Upon completion of such allotment and issue, WK Development become directly wholly-owned by the Company.

(4) Acquisition of share capital of Wing Kei Hong Kong from its then shareholders by WK Development

On 21 July 2023, the Company and WK Development entered into a sale and purchase agreement with the Controlling Shareholders, pursuant to which WK Development acquired 510,000 ordinary shares, 510,000 ordinary shares, 255,000 ordinary shares, 255,000 ordinary shares and 170,000 ordinary shares in Wing Kei Hong Kong from Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man, respectively, representing 30%, 30%, 15%, 15% and 10% of the issued share capital of Wing Kei Hong Kong, respectively. Subsequently, WK Development allotted and issued 100 shares of US$1 each as fully paid to the Company at the direction of Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man.

Upon completion of the above transactions, Wing Kei Hong Kong and Wing Kei Dongguan became wholly-owned subsidiaries of WK Development.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Principal activities and place of operations	Issued and fully paid up share capital/paid up capital	Attributable equity interest of the Group as at 31 December 2020, 2021, 2022 and 30 September 2023	As at the date of this report	Notes
Direct interests						
WK Development	The BVI, 4 July 2023	Investment holding, the BVI	US$200/US$200	30 September 2023: 100% (31 December 2020, 2021 and 2022: N/A)	100%	(a)
Indirect interests						
Wing Kei Hong Kong	Hong Kong, 28 July 1999	Supply and installation of structural steel works, Hong Kong	HK$1,700,000/ HK$1,700,000	100%	100%	(b)
Wing Kei Dongguan	The People's Republic of China ("PRC"), 6 July 2015	Supply and fabrication of structural steel works, the PRC	US$1,200,000/ US$1,200,000	100%	100%	(c)
Wing Kei Management Limited ("Wing Kei Management")	Hong Kong, 28 March 2023	Provision of administrative services for the Group, Hong Kong	HK$10,000/ HK$10,000	30 September 2023: 100% (31 December 2020, 2021 and 2022: N/A)	100%	(a)

Notes:

(a) No audited statutory financial statements have been prepared for these subsidiaries as they were newly incorporated or there are no statutory audit requirements under the applicable law in the place of incorporation of the entities.

(b) Statutory financial statements for the years ended 31 December 2020, 2021 and 2022 were audited by Global Vision CPA Limited.

(c) Statutory financial statements for the years ended 31 December 2020, 2021 and 2022 were audited by Wuyige Certified Public Accountants (LLP) Guangdong Branch.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the **[REDACTED]** Business were mainly conducted through the Operating Entities, and ultimately controlled by the Controlling Shareholders. Pursuant to the Reorganisation, the Operating Entities were transferred to and held indirectly by the Company. As the Company had not been involved in any other business prior to the Reorganisation and do not meet the definition of a business, the Reorganisation is merely a recapitalisation of the **[REDACTED]** Business with no change in business substance, management of such business and the ultimate controlling shareholders of the Operating Entities remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the **[REDACTED]** Business under the Operating Entities, and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Wing Kei Hong Kong and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the **[REDACTED]** Business under the consolidated financial statements of Wing Kei Hong Kong and its subsidiaries for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions among group companies are eliminated on combination.

2 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

The principal accounting policies applied in the preparation of the consolidated financial information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The consolidated financial information have been prepared under the historical cost convention, except for the investments in life insurance contracts, which have been measured at cash surrender value.

The preparation of the consolidated financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4.

The following amendments to standards, and interpretation that have been issued, but are not yet effective for the Track Record Period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024

		Effective for annual periods beginning on or after
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these amended standards and interpretation. According to the preliminary assessment made by the directors of the Company now comprising the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activity is undertaken by management.

(a) Credit risk

(i) Risk management

The carrying amounts of cash and cash equivalents, investments in life insurance contracts, trade receivables, amount due from a director, amount due from a related company, deposits and other receivables and contract assets included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management considers the Group has limited credit risk with its banks which are leading and reputable and their external credit ratings are of investment grades. Majority of bank balances and the key management insurance contracts are deposited with and insured by reputable banks or financial institution. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The procedures focus on the evaluations on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the Group is exposed to concentration of credit risk on trade receivables and contract assets from the Group's five largest customers amounting to approximately HK$78,471,000, HK$79,945,000, HK$69,423,000 and HK$149,078,000 and accounted for approximately 71%, 76%, 74% and 89% of the total gross trade receivables and contract assets balances respectively. The major customers of the Group are reputable organisations and with good repayment history. Management considers that the credit risk is limited in this regard.

The Group's other financial assets at amortised cost are considered to be low risk. Management has closely monitored the credit qualities and the collectability.

(ii) Impairment of assets

The Group has six types of assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- other receivables and deposits at amortised cost;
- amount due from a director
- amount due from a related company; and
- cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the relevant banks' external credit ratings are of investment grades.

Trade receivables and contract assets

The Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The contract assets relate to unbilled revenue and retention receivables have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Management consider the nature of business of its customers, the default rates given by external researches over the expected lives of the debtors, repayment and default histories of different customers or industries to assess the credit risk characteristics and the likelihood of loss allowance of its customers. The Group uses probability of default (PD), exposure at default (EAD) and loss given default (LGD) to measure the credit risk and expected credit loss rates for its customers.

The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors (i.e. GDP and employment rate) affecting the ability of the customers to settle the receivables.

The credit period granted by the Group to its customers mainly ranged from 30 to 60 days.

Trade receivables as at 31 December 2020

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.055%	1,816	(1)
B3 to Baa1	0.526%	7,611	(40)
C to Caa1	1.802%	1,554	(28)
		10,981	(69)

Trade receivables as at 31 December 2021

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
B3 to Baa1	0.070%	20,057	(14)
C to Caa1	19.726%	2,555	(504)
		22,612	(518)

Trade receivables at 31 December 2022

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.023%	4,346	(1)
B3 to Baa1	0.383%	10,187	(39)
Default	100%	2,610	(2,610)
		17,143	(2,650)

Trade receivables at 30 September 2023

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.014%	7,173	(1)
B3 to Baa1	0.178%	5,069	(9)
C to Caa1	0.868%	7,607	(66)
Default	100%	2,610	(2,610)
		22,459	(2,686)

Contract assets at 31 December 2020

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.009%	11,449	(1)
B3 to Baa1	1.391%	76,505	(1,064)
C to Caa1	8.094%	11,057	(895)
		99,011	(1,960)

Contract assets at 31 December 2021

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.108%	922	(1)
B3 to Baa1	1.027%	80,662	(828)
C to Caa1	19.723%	1,516	(299)
		83,100	(1,128)

Contract assets at 31 December 2022

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.112%	4,483	(5)
B3 to Baa1	0.416%	66,885	(278)
C to Caa1	25.647%	3,595	(922)
Default	100%	1,591	(1,591)
		76,554	(2,796)

Contract assets at 30 September 2023

Credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	0.033%	12,109	(4)
B3 to Baa1	1.019%	107,816	(1,099)
C to Caa1	4.843%	24,116	(1,168)
Default	100%	1,591	(1,591)
		145,632	(3,862)

The fluctuation of the average loss rate was mainly due to the change in credit rating of the individual customers and the composition of the customers' profile within the category during the Track Record Period.

The increase in average loss rate for trade receivables with credit rating of C to Caa1 as at 31 December 2021 was due to the higher credit risk among the customers within the C to Caa1 category. For average loss rate of contract assets with credit rating of C to Caa1, the increase as at 31 December 2021 and 2022 was due to the higher credit risk among the customers within the C to Caa1 category, which was impacted by the forward-looking information on macroeconomics factors and credit quality of the customers. The decrease as at 30 September 2023 was primarily due to the improved credit rating of a customer within the C to Caa1 category.

The loss allowance provision for trade receivables and contract assets as at 31 December 2020, 2021, 2022 and 30 September 2022 and 2023 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	**Contract assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2020	86	2,105	2,191
Reversal of impairment loss	(17)	(145)	(162)
As at 31 December 2020	69	1,960	2,029
Provision for/(Reversal of) impairment loss	449	(832)	(383)
As at 31 December 2021	518	1,128	1,646
Provision for impairment loss	2,132	1,668	3,800
As at 31 December 2022	2,650	2,796	5,446
Provision for impairment loss	36	1,066	1,102
As at 30 September 2023	2,686	3,862	6,548
As at 1 January 2022	518	1,128	1,646
Provision for impairment loss	2,116	1,662	3,778
As at 30 September 2022 (unaudited)	2,634	2,790	5,424

Other receivables and deposits at amortised cost

The credit qualities of other receivables and deposits at amortised cost have been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Management is of the opinion that the credit risk of other receivables and deposits at amortised cost are low due to the sound collection history of the receivables and deposits. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

Amounts due from a director and related company

The directors consider the credit risk on the amounts due from a director and related company is low as no default payment was noted. Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

(b) Market risk

(i) Foreign exchange risk

The Group is subject to foreign exchange rate risk arising from the PRC operation which are denominated in a currency other than its functional currency. The Group currently does not hedge its foreign currency exposure.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from cash at banks and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is offset by the bank deposits. The interest rate profile of bank deposit and bank borrowings are disclosed in Note 21 and Note 24 respectively. The bank deposits and bank borrowings generate and incur interest at the prevailing market interest rates.

At 31 December 2020, 2021, 2022 and 30 September 2023, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the years/ period then ended would have been approximately HK$14,000, HK$29,000, HK$251,000 and HK$46,000 higher/lower respectively, mainly as a result of higher/lower net interest income on bank deposits.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met. In order to meet their liquidity requirements in the short and longer term, the Group may adjust the amount of dividends paid to shareholders and drawdown available bank facilities. Further, management performs monthly review of receivables and payables ageing analysis to ensure the Group is able to maintain sufficient financial resources to meet its liquidity requirements and to follow up on any overdue balances.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the period-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment.

	On demand or less than 1 year	**From 1 year to 2 years**	**Over 2 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020				
Trade and retention payables	35,269	–	–	35,269
Accruals and other payables	2,175	–	–	2,175
Amounts due to directors	16,653	–	–	16,653
Lease and interest payments	3,445	2,251	184	5,880
Bank borrowings	11,201	–	–	11,201
	68,743	2,251	184	71,178
As at 31 December 2021				
Trade and retention payables	22,895	–	–	22,895
Accruals and other payables	2,983	–	–	2,983
Amounts due to directors	13,912	–	–	13,912
Lease and interest payments	2,387	260	19	2,666
Bank borrowings	4,703	–	–	4,703
	46,880	260	19	47,159
As at 31 December 2022				
Trade and retention payables	27,280	–	–	27,280
Accruals and other payables	4,421	–	–	4,421
Amounts due to directors	5,991	–	–	5,991
Lease and interest payments	4,586	3,850	419	8,855
Bank borrowings	10,638	–	–	10,638
	52,916	3,850	419	57,185
As at 30 September 2023				
Trade and retention payables	59,655	–	–	59,655
Accruals and other payables	10,429	–	–	10,429
Amounts due to directors	1,069	–	–	1,069
Lease and interest payments	4,118	463	–	4,581
Bank borrowings	8,208	–	–	8,208
	83,479	463	–	83,942

The table below summarises the maturity analysis of bank borrowings of the Group based on agreed scheduled repayments set out in the loan agreements without considering the repayment on demand clause. The amounts include interest payments computed using contractual rates.

	Less than 1 year	From 1 year to 2 years	From 2 year to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020	6,763	2,321	2,099	523	11,706
As at 31 December 2021	2,509	1,637	661	323	5,130
As at 31 December 2022	4,987	1,475	4,240	1,033	11,735
As at 30 September 2023	1,840	1,793	5,282	470	9,385

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group mainly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or repay borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, amounts due to directors and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position.

The gearing ratio at 31 December 2020, 2021, 2022 and 30 September 2023 were as follows:

		As at 31 December			As at 30 September
		2020	2021	2022	2023
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	*24*	11,201	4,703	10,638	8,208
Lease liabilities	*15*	5,666	2,614	8,544	4,240
Amounts due to directors	*26*	16,653	13,912	5,991	1,069
Less: Cash and cash equivalents	*21*	(14,536)	(11,729)	(70,880)	(19,121)
Net debt/(cash)		18,984	9,500	(45,707)	(5,604)
Total capital		81,141	97,841	130,588	126,529
Gearing ratio		23%	10%	N/A	N/A

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying value of the Group's financial assets and liabilities are reasonable approximation to their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of the Group's financial assets, including trade receivables, deposits and other receivables, amount due from a director, amount due from a related company and cash and cash equivalents, and financial liabilities, including trade and retention payables, other payables, amounts due to directors, bank borrowings and lease liabilities, approximate to their fair values.

3.4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the companies now comprising the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. It has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset as at 31 December 2020, 2021, 2022 and 30 September 2023.

	Gross amounts	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2020			
Financial assets			
Other receivables and deposits	7,736	(1,712)	6,024
Financial liabilities			
Trade and retention payables	36,981	(1,712)	35,269
As at 31 December 2021			
Financial assets			
Other receivables and deposits	6,486	(2,840)	3,646
Financial liabilities			
Trade and retention payables	25,735	(2,840)	22,895
As at 31 December 2022			
Financial assets			
Other receivables and deposits	6,874	(3,943)	2,931
Financial liabilities			
Trade and retention payables	31,223	(3,943)	27,280
As at 30 September 2023			
Financial assets			
Other receivables and deposits	6,935	(3,805)	3,130
Financial liabilities			
Trade and retention payables	63,460	(3,805)	59,655

Note: As at 31 December 2020, 2021, 2022 and 30 September 2023, other receivables from subcontractors which represents labour costs of site workers directly settled by the Group, are offset against trade and retention payables to the same subcontractor pursuant to the arrangements with subcontractors, as well as industry practice.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of structural steelwork. The progress is determined by the aggregated cost for the individual performance obligation incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date which contributes to the Group's progress in satisfying the performance obligation and the budgeted cost is primarily based on construction contract budget and actual cost summary prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress. Because of the nature of the activities undertaken in the construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of contract cost in the budget prepared for each construction contract as the contract progresses.

Significant judgement is required in estimating the progress of performance and total contract costs which may have an impact on percentage of completion of the construction contracts and the contract revenue and profit to be recognised in an accounting period. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade receivables and contract assets

The Group follows the guidance of HKFRS 9 to determine whether trade receivables and contract assets are impaired. Significant judgement is exercised on the assessment of the risk of default and expected credit losses from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments, customers' financial positions and expected future change of credit risks, including consideration of factors such as general economy measure, changes in macro-economic indicators, etc. Details of assumptions and inputs used are discussed in Note 3.1(a)(ii).

5 Revenue and segment information

The executive directors are identified as the chief operating decision makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources.

The Group's revenue is derived from provision of structural steelwork in Hong Kong and accordingly, there is only one single operating segment for the Group under HKFRS 8.

(a) Revenue

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Structural steelwork	324,292	228,776	336,384	251,561	235,038

All of the Group's revenue is recognised over time for the Track Record Period.

(b) Revenue from major customers

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Customer 1	120,694	N/A*	N/A*	N/A*	N/A*
Customer 2	93,679	88,966	214,167	165,283	87,965
Customer 3	N/A*	62,627	N/A*	N/A*	30,383
Customer 4	N/A*	45,640	N/A*	N/A*	N/A*
Customer 5	N/A*	N/A*	N/A*	N/A*	34,323
Customer 6	N/A*	N/A*	N/A*	N/A*	32,092

* Represent less than 10% of revenue for the respective year/period.

All of the Group's revenue are generated in Hong Kong.

(c) Segment assets and liabilities

The Group monitors its total assets and liabilities centrally in one single operating segment. The total non-current assets other than financial instruments and deferred income tax assets amounted to HK$6,655,000, HK$5,700,000, HK$6,666,000 and HK$4,739,000 were located in Hong Kong and HK$10,903,000, HK$8,394,000, HK$10,980,000 and HK$7,871,000 were located in the PRC as at 31 December 2020, 2021, 2022 and 30 September 2023 respectively.

(d) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue recognised that was included in the contract liability balance at the beginning of the year/period					
– Structural steelwork	14,724	4,254	2,641	2,641	2,200

(e) Unsatisfied long-term construction contracts

The following table shows unsatisfied performance obligations resulting from long-term construction contracts.

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied as at year/period end	505,333	425,866	253,464	668,926

Management expects that the transaction prices regarding the unsatisfied contracts at the end of year/period will be recognised as revenue by referencing to the schedule below:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	212,139	279,517	183,256	356,806
Over 1 year	293,194	146,349	70,208	312,120
	505,333	425,866	253,464	668,926

(f) Accounting policies of revenue recognition

(a) Revenue from provision of structural steelwork

The Group recognises revenue upon the transfer of control of promised goods or services to customers, measured at the fair value of the consideration received or receivable, and represents amounts for the construction service rendered in the ordinary course of the Group's activities. The Group is acting as a principal rather than as an agent given that the Group integrates the materials, labor and equipment into the deliverables promised to the customers.

Revenue is recognised over time as the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation (for example, subcontracting fees and cost of materials) relative to the total expected inputs to the satisfaction of the performance obligation, that best depict the Group's performance in transferring control of goods or services. When the Group is not able to reasonably measure its performance progress, the Group recognises revenue only to the extent of the recoverable amount of costs incurred until such time that it can reasonably measure the performance progress.

Contracts

The Group derives revenue primarily from provision of structural steelwork, including supply, fabrication and installation of structural steel for construction projects in Hong Kong under contracts with customers, subject to modification or variation orders.

Performance Obligations

A performance obligation is a contractual promise to transfer a distinct good or service to a customer and is the unit of account under HKFRS 15. Contracts of the Group often require significant services to integrate materials and various activities (which are closely related and inter-dependent) into a single deliverable and are therefore generally accounted for as a single performance obligation. Contract amendments or variation orders, which are generally not distinct from the existing contract, are typically accounted for as a modification of the existing contract and performance obligation.

Variable considerations

The nature of the Group's contracts give rise to certain of variable consideration, including variation orders. The Group recognises amount of variable consideration (for example, scope changes, performance bonus or claims, if any), which it will be entitled using the expected value method, in the transaction price only to the extent that is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

Factors to be considered in determining whether revenue associated with variable considerations should be recognised include whether there is evidence supporting the variable consideration to be reasonable, objective and reliably estimated.

When there is change in circumstances, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to better predict the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Transaction price

Transaction price should be adjusted whenever the contract includes a significant financing component. Amount retained by the customer in a long-term arrangement, referred to as retention, are usually intended to provide the customer with a form of security that the Group will perform as specified under the contract, rather than to provide the customer with a significant financing benefit.

The payment terms differed for different customers due to the variety of projects. Most of the payment is payable according to the stage of construction with credit term of 30 to 60 days. 10% of the value of work done, subject to a cap of 5% of the total contract sum, may be withheld by the customers and recognised as retention receivables, which would be paid after the retention period expires. Retention receivables, prior to expiration of defect liability period, are classified as contract assets. The Group does not intend to give financing to customers and the Group makes efforts to collect the receivables and timely monitor the credit risk. The contract does not have a significant financing component as the payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing. The Group does not expect to have any other significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust transaction prices for the time value of money.

Contract modifications

The Group accounts for a modification if the customer to a contract approves a change in the scope or price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customer to the contract.

6 Other income and other gain/(loss), net

	Year ended 31 December			**Nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income					
Government grants *(Note a)*	1,283	133	2,611	2,579	40
Other gain/(loss), net					
Change in value of life insurance contracts *(Note 20)*	112	123	100	86	(461)
Gain/(loss) on disposal of property, plant and equipment	–	–	23	–	(79)
Others	–	36	–	–	–
	112	159	123	86	(540)
	1,395	292	2,734	2,665	(500)

Note:

(a) The amount mainly represents wage subsidy granted under Employment Support Scheme under the Anti-Epidemic Fund. Subsidies are offered to employers who have employed regular employees and paid MPF for them. Wage subsidies were granted to the Group for the use of paying wages and MPF of regular employees from June 2020 to November 2020 and from May 2022 to July 2022.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

7 Expenses by nature

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cost of materials	150,560	62,266	73,708	48,694	85,938
Subcontracting fees	75,859	61,933	105,302	83,890	62,831
Employee benefit expenses (including directors' remunerations) *(Note 8)*	32,539	51,038	45,800	33,490	27,363
Auditor's remunerations – audit services	98	98	98	74	74
Depreciation of plant and equipment *(Note 14)*	1,793	1,978	2,050	1,564	1,475
Depreciation of right-of-use assets *(Note 15)*	2,906	3,152	3,338	2,282	3,056
Expense relating to short-term leases *(Note 15)*	494	554	955	711	486
Transportation expenses	4,461	5,457	12,037	9,906	3,627
Consultancy fees	385	955	1,510	1,288	361
Testing expenses	4,263	3,055	3,175	1,954	2,636
Machinery service fees	2,956	9,290	28,411	21,429	6,500
Legal and professional fees	207	257	357	276	228
Other expenses	5,428	7,996	11,782	10,162	5,544
Total cost of services and administrative expenses	281,949	208,029	288,523	215,720	200,119

8 Employee benefit expenses (including directors' remunerations)

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, wages and bonuses	30,932	47,743	43,163	31,252	25,265
Pension costs – defined contribution plan	774	1,374	1,280	1,087	1,077
Other welfare and allowances	833	1,921	1,357	1,151	1,021
	32,539	51,038	45,800	33,490	27,363
Representing:					
Cost of services	22,950	40,502	35,021	26,722	20,302
Administrative expenses	9,589	10,536	10,779	6,768	7,061
	32,539	51,038	45,800	33,490	27,363

During the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023, no forfeited contributions were utilised by the Group to reduce its contributions. There is no balance available as at 31 December 2020, 2021, 2022 and 30 September 2022 and 2023 to reduce future contributions.

9 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director paid/payable for each of the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023 were set out below:

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2020							
Executive director							
Mr. Chan Kam Kei	–	1,332	111	–	18	–	1,461
Mr. Chan Kam Kong	368	2,546	212	–	18	–	3,144
Ms. Chan Suk Man	–	1,140	95	–	18	–	1,253
Non-executive director							
Mr. Chan Wing Hong	1,014	–	70	–	–	–	1,084
Ms. Choi Chick Cheong	480	–	40	–	–	–	520
Total	1,862	5,018	528	–	54	–	7,462

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2021							
Executive director							
Mr. Chan Kam Kei	–	1,332	333	–	18	–	1,683
Mr. Chan Kam Kong	395	2,546	637	–	18	–	3,596
Ms. Chan Suk Man	–	1,140	285	–	18	–	1,443
Non-executive director							
Mr. Chan Wing Hong	1,026	–	210	–	–	–	1,236
Ms. Choi Chick Cheong	480	–	120	–	–	–	600
Total	1,901	5,018	1,585	–	54	–	8,558

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2022							
Executive director							
Mr. Chan Kam Kei	–	1,332	333	–	18	–	1,683
Mr. Chan Kam Kong	452	2,546	637	–	18	–	3,653
Ms. Chan Suk Man	–	1,140	285	–	18	–	1,443
Non-executive director							
Mr. Chan Wing Hong	1,054	–	210	–	–	–	1,264
Ms. Choi Chick Cheong	480	–	120	–	–	–	600
Total	1,986	5,018	1,585	–	54	–	8,643

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the nine months ended 30 September 2022 (Unaudited)							
Executive director							
Mr. Chan Kam Kei	–	998	–	–	14	–	1,012
Mr. Chan Kam Kong	346	1,910	–	–	14	–	2,270
Ms. Chan Suk Man	–	855	–	–	14	–	869
Non-executive director							
Mr. Chan Wing Hong	793	–	–	–	–	–	793
Ms. Choi Chick Cheong	360	–	–	–	–	–	360
Total	1,499	3,763	–	–	42	–	5,304

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the nine months ended 30 September 2023							
Executive director							
Mr. Chan Kam Kei	–	998	–	–	14	–	1,012
Mr. Chan Kam Kong	324	1,910	–	–	14	–	2,248
Ms. Chan Suk Man	–	855	–	–	14	–	869
Non-executive director							
Mr. Chan Wing Hong	783	–	–	–	–	–	783
Ms. Choi Chick Cheong	360	–	–	–	–	–	360
Total	1,467	3,763	–	–	42	–	5,272

The remunerations shown above represent remunerations received from the Operating Entities by these directors in their capacity as employees to Operating Entities and no directors waived any emoluments during each of the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023.

(b) Directors' termination benefits

No payment was made to the directors as compensation for the early termination of the appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of the directors for making available the services of them as a director of the Company or Operating Entities during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Other than those disclosed in Note 26, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Other than those disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or Operating Entities were a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Track Record Period.

(f) Five highest paid individuals

For each of the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023, the 5 individuals whose emoluments were the highest in the Group include 4 directors, whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining 1 individual are as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, wages and bonuses	800	785	834	486	535
Pension costs – defined contribution plan	14	18	–	14	14
	814	803	834	500	549

The emoluments of above individual are within the following band:

	Number of individual				
	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Emolument band					
Within HK$1,000,000	1	1	1	1	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

10 Finance costs, net

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Finance income:					
– Interest income from bank deposits	(1)	(15)	(73)	(21)	(159)
– Unwinding of discount impact	(22)	(24)	(22)	(17)	(23)
	(23)	(39)	(95)	(38)	(182)
Finance costs:					
– Interest expense on bank borrowings	227	352	316	226	336
– Interest expense on lease liabilities *(Note 15)*	269	174	118	55	208
	496	526	434	281	544
Finance costs, net	473	487	339	243	362

11 Income tax expense

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current income tax	7,469	2,835	7,946	6,300	5,888
Deferred income tax *(Note 16)*	(748)	764	(755)	(671)	(232)
	6,721	3,599	7,191	5,629	5,656

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and WK Development are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Wing Kei Hong Kong and Wing Kei Management are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one entity that is qualified under the two-tiered profits tax rate regime, under which the first HK$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% on the assessable income of Wing Kei Dongguan during the Track Record Period.

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	43,427	20,935	46,456	34,485	20,771
Tax calculated at domestic tax rates applicable to profits in the respective countries/places of business	6,615	3,552	7,358	6,039	5,594
Tax effects of:					
Income not subject to tax	(230)	(20)	(430)	(419)	(25)
Expenses not deductible for tax purpose	336	67	263	9	87
	6,721	3,599	7,191	5,629	5,656

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023.

In determining the weighted average number of shares in issue during the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023, 1 share was deemed to have been issued on 1 January 2020 as if the Company has been incorporated by then.

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit attributable to owners of the Company *(HK$'000)*	36,706	17,336	39,265	28,856	15,115
Weighted average number of ordinary shares in issue	1	1	1	1	1
Basic and diluted earnings per share *(in HK$'000)*	36,706	17,336	39,265	28,856	15,115

Diluted earnings per share for the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023 were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years/periods.

The earnings per share presented above has not been taken into account the proposed **[REDACTED]** pursuant to the resolution in writing of the shareholders passed on 5 February 2024 because the proposed **[REDACTED]** has not become effective as at the date of this report.

13 Dividend

No dividend has been paid or declared by the Company for the Track Record Period.

Dividends of HK$8,200,000, nil, HK$8,000,000 and HK$20,000,000 were declared and settled by the companies now comprising the Group during the years ended 31 December 2020, 2021 and 2022 and nine months ended 30 September 2023, respectively.

14 Property, plant and equipment

	Machinery and equipment	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020					
Cost	4,319	1,883	557	6,727	13,486
Accumulated depreciation	(1,664)	(905)	(390)	(3,634)	(6,593)
Net book amount	2,655	978	167	3,093	6,893
Year ended 31 December 2020					
Opening net book amount	2,655	978	167	3,093	6,893
Addition for the year	2,864	578	145	79	3,666
Depreciation charge *(Note 7)*	(520)	(548)	(120)	(605)	(1,793)
Currency translation	296	48	3	19	366
Closing net book amount	5,295	1,056	195	2,586	9,132
At 31 December 2020					
Cost	7,611	2,582	714	6,825	17,732
Accumulated depreciation	(2,316)	(1,526)	(519)	(4,239)	(8,600)
Net book amount	5,295	1,056	195	2,586	9,132
Year ended 31 December 2021					
Opening net book amount	5,295	1,056	195	2,586	9,132
Addition for the year	709	201	36	180	1,126
Depreciation charge *(Note 7)*	(808)	(417)	(82)	(671)	(1,978)
Reclassification from right-of-use assets *(Note)*	–	–	–	805	805
Currency translation	176	25	2	8	211
Closing net book amount	5,372	865	151	2,908	9,296
At 31 December 2021					
Cost	8,589	2,858	764	7,821	20,032
Accumulated depreciation	(3,217)	(1,993)	(613)	(4,913)	(10,736)
Net book amount	5,372	865	151	2,908	9,296

Note: During the year ended 31 December 2021, a motor vehicle has been transferred from right-of-use assets upon the end of the finance lease.

	Machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2022					
Opening net book amount	5,372	865	151	2,908	9,296
Addition for the year	57	229	32	–	318
Depreciation charge *(Note 7)*	(799)	(482)	(74)	(695)	(2,050)
Currency translation	(404)	(43)	(3)	(14)	(464)
Closing net book amount	4,226	569	106	2,199	7,100
At 31 December 2022					
Cost	7,965	2,897	763	7,135	18,760
Accumulated depreciation	(3,739)	(2,328)	(657)	(4,936)	(11,660)
Net book amount	4,226	569	106	2,199	7,100
Nine months ended 30 September 2023					
Opening net book amount	4,226	569	106	2,199	7,100
Addition for the period	–	850	20	286	1,156
Depreciation charge *(Note 7)*	(513)	(406)	(48)	(508)	(1,475)
Disposal	–	–	–	(79)	(79)
Currency translation	(196)	(30)	(1)	(4)	(231)
Closing net book amount	3,517	983	77	1,894	6,471
At 30 September 2023					
Cost	7,561	3,604	762	6,464	18,391
Accumulated depreciation	(4,044)	(2,621)	(685)	(4,570)	(11,920)
Net book amount	3,517	983	77	1,894	6,471
Nine months ended 30 September 2022 (unaudited)					
Opening net book amount	5,372	865	151	2,908	9,296
Addition for the period	57	229	32	–	318
Depreciation charge *(Note 7)*	(623)	(361)	(58)	(522)	(1,564)
Currency translation	(504)	(47)	(3)	(19)	(573)
Closing net book amount	4,302	686	122	2,367	7,477
At 30 September 2022 (unaudited)					
Cost	7,774	2,844	753	7,787	19,158
Accumulated depreciation	(3,472)	(2,158)	(631)	(5,420)	(11,681)
Net book amount	4,302	686	122	2,367	7,477

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs net of their residual values over their estimated useful lives, as follows:

Machinery and equipment	3 to 10 years
Leasehold improvements	Shorter of lease term or 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	4 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

15 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Right-of-use assets				
Leased premises	7,220	4,508	9,515	5,190
Leasehold land	291	290	258	238
Motor vehicle	915	–	773	711
	8,426	4,798	10,546	6,139
Lease liabilities				
Current portion	3,276	2,337	4,352	3,782
Non-current portion	2,390	277	4,192	458
	5,666	2,614	8,544	4,240

Additions to the right-of-use assets during the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023 were HK$1,298,000, HK$218,000, HK$9,637,000, HK$2,518,000 and nil respectively.

(ii) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation of right-of-use assets as included in:					
– Cost of services	2,608	2,963	3,166	2,160	2,907
– Administrative expenses	298	189	172	122	149
	2,906	3,152	3,338	2,282	3,056
Interest expenses on lease liabilities for the year/period *(Note 10)*	269	174	118	55	208
Expenses relating to short-term leases (included in cost of services) *(Note 7)*	494	554	955	711	486

The interest rate of each lease contract is fixed at its contract date, and the interest rate of all the lease liabilities ranged from 2.5% to 4.2% per annum as at 31 December 2020, 2021, 2022 and 30 September 2023.

The total cash outflows for leases including payments of short-term leases, lease liabilities and payments of interest expenses on leases for the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023 were approximately HK$4,091,000, HK$4,092,000, HK$3,883,000, HK$2,896,000 and HK$3,641,000, respectively.

(iii) The Group's leasing activities and how these are accounted for

The right-of-use assets represent the Group's rights to use underlying leased premises, leasehold land and motor vehicle under lease arrangements over the lease terms from 2 to 50 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

Some of the property leases include extension options. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is revised if a significant event or a significant change in circumstances occurs which affects the assessment.

16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	2,153	730	2,496	1,989
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,438)	(730)	(1,962)	(1,224)
	715	–	534	765
Deferred income tax liabilities	1,623	954	1,962	1,224
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,438)	(730)	(1,962)	(1,224)
	185	224	–	–

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets to be recovered within 12 months	715	–	94	50
Deferred income tax assets to be recovered after more than 12 months	–	–	440	715
	715	–	534	765
Deferred income tax liabilities to be settled within 12 months	22	65	–	–
Deferred income tax liabilities to be settled more than 12 months	163	159	–	–
	185	224	–	–

The movements in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax loss	**Provision**	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	–	360	1,610	1,970
Credited/(charged) to the consolidated statements of comprehensive income	730	(25)	(628)	77
Exchange difference	41	–	65	106
At 31 December 2020 and 1 January 2021	771	335	1,047	2,153
Charged to the consolidated statements of comprehensive income	(783)	(63)	(613)	(1,459)
Exchange difference	12	–	24	36
At 31 December 2021 and 1 January 2022	–	272	458	730
Credited to the consolidated statements of comprehensive income	–	627	1,210	1,837
Exchange difference	–	–	(71)	(71)
At 31 December 2022 and 1 January 2023	–	899	1,597	2,496
Credited/(charged) to the consolidated statements of comprehensive income	–	182	(631)	(449)
Exchange difference	–	–	(58)	(58)
At 30 September 2023	–	1,081	908	1,989
At 31 December 2021 and 1 January 2022	–	272	458	730
Credited/(charged) to the consolidated statements of comprehensive income	–	623	(388)	235
Exchange difference	–	–	(20)	(20)
At 30 September 2022 (unaudited)	–	895	50	945

The movements in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	(622)	(1,605)	(2,227)
Credited to the consolidated statements of comprehensive income	102	569	671
Exchange difference	–	(67)	(67)
At 31 December 2020 and 1 January 2021	(520)	(1,103)	(1,623)
Credited to the consolidated statements of comprehensive income	85	610	695
Exchange difference	–	(26)	(26)
At 31 December 2021 and 1 January 2022	(435)	(519)	(954)
Credited/(charged) to the consolidated statements of comprehensive income	65	(1,147)	(1,082)
Exchange difference	–	74	74
At 31 December 2022 and 1 January 2023	(370)	(1,592)	(1,962)
Credited to the consolidated statements of comprehensive income	39	642	681
Exchange difference	–	57	57
At 30 September 2023	(331)	(893)	(1,224)
At 31 December 2021 and 1 January 2022	(435)	(519)	(954)
(Charged)/credited to the consolidated statements of comprehensive income	(15)	451	436
Exchange difference	–	22	22
At 30 September 2022 (unaudited)	(450)	(46)	(496)

The Group has certain undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distribution from its PRC subsidiary and is not expected to distribute these profits in the foreseeable future. Except for the above, as at 31 December 2020, 2021, 2022 and 30 September 2023, there is no significant unrecognised deferred tax for the Group.

17 Financial instruments by category

The Group

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets as per consolidated statements of financial position				
Financial assets measured at amortised cost				
– Trade receivables *(Note 18)*	10,912	22,094	14,493	19,773
– Other receivables and deposits (excluding prepayments and tax receivables) *(Note 18)*	6,024	3,646	2,931	3,130
– Amount due from a director *(Note 26)*	297	–	–	–
– Amount due from a related company *(Note 26)*	6,308	6,171	12,018	11,724
– Cash and cash equivalents *(Note 21)*	14,536	11,729	70,880	19,121
Total	38,077	43,640	100,322	53,748
Liabilities as per consolidated statements of financial position				
Financial liabilities measured at amortised cost				
– Trade and retention payables *(Note 23)*	35,269	22,895	27,280	59,655
– Accruals and other payables (excluding non-financial liabilities) *(Note 23)*	2,175	2,983	4,421	10,429
– Amounts due to directors *(Note 26)*	16,653	13,912	5,991	1,069
– Bank borrowings *(Note 24)*	11,201	4,703	10,638	8,208
– Lease liabilities *(Note 15)*	5,666	2,614	8,544	4,240
Total	70,964	47,107	56,874	83,601

The Company

	As at 30 September 2023
	HK$000
Liabilities as per statement of financial position of the Company	
Financial liabilities measured at amortised cost	
– Accruals for **[REDACTED]**	6,681

18 Trade and other receivables

(a) Trade receivables

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	10,981	22,612	17,143	22,459
Less: provision for impairment	(69)	(518)	(2,650)	(2,686)
Trade receivables, net	10,912	22,094	14,493	19,773

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	4,648	16,803	14,458	12,342
91-180 days	1,370	2,464	–	6,952
Over 180 days	4,963	3,345	2,685	3,165
	10,981	22,612	17,143	22,459

The credit terms provided to customers mainly range from 30 to 60 days. The Group's trade receivables are denominated in HK$.

(b) Other receivables, deposits and prepayments

The Group

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments for structural steelwork	1,419	4,620	820	1,698
Other prepayments	190	169	156	124
Other receivables	222	172	158	43
Other tax receivables	5,290	4,407	757	2,250
Deposits	5,802	3,474	2,773	3,087
Deferred **[REDACTED]** *(Note)*	–	–	–	3,430
Prepayment for **[REDACTED]**	–	–	–	1,357
	12,923	12,842	4,664	11,989
Less: Non-current deposits	(758)	(67)	(1,013)	(873)
Current portion	12,165	12,775	3,651	11,116

The Company

	As at 30 September 2023
	HK$'000
Deferred **[REDACTED]** *(Note)*	3,430
Prepayment for **[REDACTED]**	1,357
	4,787

Note: Deferred **[REDACTED]** will be deducted from equity upon **[REDACTED]** of the Group.

The other receivables and deposits are denominated in HK$. None of the other receivables and deposits was impaired.

The carrying amounts of trade and other receivables approximate to their fair values. The maximum exposure to credit risk at the end of each reporting period is carrying amount of each class of trade and other receivables mentioned above.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables are recognised initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment.

19 Contract assets and contract liabilities

Included in contract assets/liabilities are the following:

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Unbilled revenue	48,559	29,725	20,698	82,617
Retention receivables for structural steelwork *(Note c)*	50,452	53,375	55,856	63,015
Total contract assets	99,011	83,100	76,554	145,632
Less: provision for impairment	(1,960)	(1,128)	(2,796)	(3,862)
Contract assets, net	97,051	81,972	73,758	141,770
Contract liabilities	4,254	2,641	2,200	1,598

Note:

(a) The Group classifies these contract assets and liabilities as current because the Group expects to realise them in its normal operating cycle.

(b) The settlement analysis of unbilled revenue and contract liabilities based on project cycle was as follows:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unbilled revenue:				
To be recovered within twelve months	48,559	29,725	20,698	82,617
Contract liabilities:				
To be recognised within twelve months	4,254	2,641	2,200	1,598

(c) Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables were classified as current assets based on its normal operating cycle. The settlement analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
To be recovered within twelve months	15,618	17,643	25,706	34,037
To be recovered more than twelve months after the end of the year/period	34,834	35,732	30,150	28,978
	50,452	53,375	55,856	63,015

Significant changes in contract assets and contract liabilities

The changes in contract assets of the Group were due to the timing difference in provision of construction services and the right to payment upon receiving certification from quality surveyors for construction contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for contract assets. Please refer to Note 3.1(a)(ii) for the credit risk of contract assets.

Contract liabilities for the construction contracts decreased due to the reduction in receipt in advance on overall contract activities.

Accounting policies of contract assets and contract liabilities

A contract asset represents the Group's right to consideration from customers in exchange for the provision of structural steelwork that the Group has transferred to the customers that is not yet unconditional. Contract assets arise when the Group has provided the structural steelwork under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or the Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable at the point when the Group's right to payment becomes unconditional other than passage of time.

In accordance with the terms of the contracts entered into with customers, the Group periodically submits to customers progress payment applications for the value of work done under the contracts along with any variation orders performed. Upon receiving the Group's progress payment applications, customer will examine and certify the works done by issuing payment certificate to the Group. The Group will then issue invoices to the customers for settlement. The credit term granted by the Groups to the customers generally ranges from 30 to 60 days from the issue of invoices. Customers usually retain an amount up to 10% of the value of work done, subject to a cap of 5% of the total contract sum as retention money for the contract. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period and the discussion of final accounts.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables.

A contract liability represents the Group's obligation to transfer the aforesaid services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

20 Investments in life insurance contracts

	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Key management insurance contracts				
As at 1 January	3,125	3,237	3,360	3,460
Addition	–	–	–	2,846
Change in cash surrender value *(Note 6)*	112	123	100	(461)
As at 31 December/30 September	3,237	3,360	3,460	5,845

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the Group held life insurance policy for directors of the Group. The investments in life insurance contract is denominated in USD. The Group has the right to surrender the insurance partially or in full at any time after the first policy anniversary for cash surrender value. Cash surrender value represents the account value net of surrender charges.

The Group invests in certain key management life insurance contracts, which contain both investment and insurance elements. The life insurance contracts are initially recognised at the amount of premium paid, and subsequently measured at each balance sheet date at its cash surrender value. Changes to the cash surrender value at each balance sheet date will be recognised in consolidated statements of comprehensive income as "other gain/(loss), net". In the event of death of the insured person, the surrender of the policies, or the policies mature, the investment will be derecognised and any resulting gains/losses will be recognised in profit or loss.

21 Cash and cash equivalents

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand				
– Cash at bank	14,471	11,585	70,778	19,054
– Cash on hand	65	144	102	67
	14,536	11,729	70,880	19,121
Maximum exposure to credit risk	14,471	11,585	70,778	19,054

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	13,933	10,702	69,698	17,202
RMB	603	1,027	1,182	1,919
Total	14,536	11,729	70,880	19,121

Bank balances of the Group amounting to HK$538,000, HK$883,000, HK$1,080,000 and HK$1,852,000 were placed with certain banks in the Mainland China as at 31 December 2020, 2021, 2022 and 30 September 2023. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

The above figures reconcile to the amount of cash shown in the consolidated statements of cash flows at the end of each year/period as follows:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balances as above	14,536	11,729	70,880	19,121
Bank overdrafts *(Note 24)*	–	–	(2,184)	–
Balances per consolidated statements of cash flows	14,536	11,729	68,696	19,121

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and bank deposits with original maturities of three months or less, and bank overdrafts. In the consolidated statements of financial position, bank overdrafts are shown within "bank borrowings" in current liabilities.

22 Share capital, capital reserve and reserves of the Company

(a) Share capital

	Number of ordinary shares	Equivalent nominal value of ordinary share *HK$*
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation on 28 June 2023	38,000,000	380,000
Balance at 30 September 2023	38,000,000	380,000
Issued and fully paid:		
Upon incorporation on 28 June 2023	1	0.01
Balance at 30 September 2023	1	0.01

(b) Capital reserve

The capital reserve of the Group represented combined share capital of the subsidiaries now comprising the Group after elimination of inter-company investments (Note 1.2).

(c) Reserves movement of the Company

The reserves movement of the Company is as follows:

	Capital reserve *(note)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance as at 28 June 2023 (date of incorporation)	–	–	–
Comprehensive loss			
Loss for the period	–	(12,184)	(12,184)
Total comprehensive loss	–	(12,184)	(12,184)
Transaction with owners in their capacity as owners			
Effect of Reorganisation (Note 1.2)	150,360	–	150,360
Total transaction with owners in their capacity as owners	150,360	–	150,360
Balance at 30 September 2023	150,360	(12,184)	138,176

Note: Capital reserve of the Company represents the carrying amount of the share of the equity items shown in the separate financial statements of Wing Kei Hong Kong acquired during the Reorganisation.

23 Trade, retention, accruals and other payables

The Group

		As at 31 December		**As at 30 September**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	32,253	18,583	20,105	53,775
Retention payables	3,016	4,312	7,175	5,880
	35,269	22,895	27,280	59,655
Accruals and other payables				
– Accrued staff cost	2,719	4,831	3,470	1,766
– Accruals for **[REDACTED]**	–	–	–	6,681
– Other accruals and payables	2,175	2,983	4,421	3,748
	4,894	7,814	7,891	12,195

The trade, retention, accruals and other payables are mainly denominated in HK$ and the carrying amounts approximate to their fair values.

As at 31 December 2020, 2021, 2022 and 30 September 2023, the ageing analysis of the trade payables based on invoice date is as follows:

		As at 31 December		**As at 30 September**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	11,648	6,313	6,851	38,853
31 – 60 days	11,793	4,672	4,998	8,884
61 – 90 days	1,340	3,358	5,307	1,531
More than 90 days	7,472	4,240	2,949	4,507
	32,253	18,583	20,105	53,775

The Company

	As at 30 September 2023
	HK$'000
Accruals for **[REDACTED]**	6,681

The accruals are denominated in HK$ and the carrying amounts approximate to their fair values.

24 Bank borrowings

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current, secured and guaranteed				
– Bank loans *(Notes a and b)*	7,201	1,354	7,096	8,208
– Bank overdrafts *(Note b)*	–	–	2,184	–
	7,201	1,354	9,280	8,208
Current, guaranteed				
– Bank loans *(Notes a and b)*	4,000	3,349	1,358	–
	11,201	4,703	10,638	8,208

The bank overdrafts and other bank loans are denominated in HK$ and bear interest at floating rates that are market dependent.

(a) The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings repayable:				
Within one year	6,498	2,213	4,640	1,443
Between 1 to 2 years	2,213	1,583	1,201	1,474
Between 2 to 5 years	1,992	594	3,785	4,830
Over 5 years	498	313	1,012	461
	11,201	4,703	10,638	8,208

The carrying amounts of the bank borrowings approximate to their fair values. The weighted average interest rates are 3.19%, 2.87%, 4.03% and 4.73% per annum as at 31 December 2020, 2021, 2022 and 30 September 2023, respectively.

(b) As at 31 December 2020, 2021, 2022 and 30 September 2023, (i) non-revolving loan facility amounted to nil, nil, HK$5,965,000 and HK$7,246,000 and revolving loan facility amounted to HK$5,630,000, nil, HK$2,184,000 and nil are guaranteed by Mr. Chan Kam Kei, Mr. Chan Kam Kong, Ms. Chan Suk Man and Mr. Chan Wing Hong, secured by properties owned by Wealthy River International Investment Limited, a related company of the Group and life insurance contracts owned by Mr. Chan Kam Kei and Ms. Chan Suk Man; (ii) SME non-revolving loan facilities amounted to HK$4,000,000, HK$3,349,000, HK$1,358,000 and nil are guaranteed by HKMC Insurance Limited, Mr. Chan Kam Kei and Mr. Chan Kam Kong; and (iii) non-revolving loan facility amounted to HK$1,571,000, HK$1,354,000, HK$1,131,000, HK$962,000 are secured by the properties owned by Wealthy River International Investment Limited, Mr. Chan Wing Hong and Ms. Choi Chick Cheong, and guaranteed by Mr. Chan Kam Kong, Mr. Chan Kam Kei and Mr. Chan Wing Hong respectively.

The above personal guarantee and pledged properties will be replaced by the Company's corporate guarantee or released upon **[REDACTED]**.

The Group has the following undrawn bank facilities consisting of bank overdrafts and revolving loan:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate	16,870	22,500	32,816	45,000

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

25 Cash flows information

(a) Cash generated from/(used in) operations:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax expense	43,427	20,935	46,456	34,485	20,771
Adjustments for:					
Depreciation of plant and equipment	1,793	1,978	2,050	1,564	1,475
Depreciation of right-of-use assets	2,906	3,152	3,338	2,282	3,056
Finance income	(23)	(39)	(95)	(38)	(182)
Finance costs	496	526	434	281	544
Gain on disposal of property, plant and equipment	–	–	(23)	–	79
(Gain)/loss on investments in insurance contracts	(112)	(123)	(100)	(86)	461
Net exchange differences	(2,108)	(1,213)	2,216	3,201	1,130
(Reversal of impairment losses)/ impairment losses on financial assets and contract assets	(162)	(383)	3,800	3,778	1,102
Operating profit before changes in working capital	46,217	24,833	58,076	45,467	28,436
Changes in working capital:					
(Increase)/decrease in contract assets	(29,437)	15,911	6,547	15,913	(69,079)
Decrease/(increase) in trade and other receivables, deposits and prepayments	17,125	(11,120)	12,921	(13,253)	(10,512)
(Decrease)/increase in trade payables, accruals and other payables	(8,661)	(9,544)	4,666	3,237	36,663
(Decrease)/increase in contract liabilities	(10,470)	(1,613)	(441)	16,972	(602)
Decrease in amount due from a related company	480	480	480	360	405
Cash generated from/(used in) operations	15,254	18,947	82,249	68,696	(14,689)

(b) Cash flow information – financing activities

The movements of liabilities from financing activities for each of the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023:

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	**Borrowings – excluding bank overdrafts**	**Lease liabilities**	**Amounts due to directors**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2020	18,148	(1,781)	(7,441)	(21,952)	(13,026)
Cash flows	(3,644)	(9,193)	3,597	5,315	(3,925)
Non-cash movements:					
Inception of lease contracts	–	–	(1,298)	–	(1,298)
Interest expenses	–	(227)	(269)	–	(496)
Exchange realignment	32	–	(255)	(16)	(239)
As at 31 December 2020	14,536	(11,201)	(5,666)	(16,653)	(18,984)
As at 1 January 2021	14,536	(11,201)	(5,666)	(16,653)	(18,984)
Cash flows	(2,831)	6,850	3,538	2,741	10,298
Non-cash movements:					
Inception of lease contracts	–	–	(217)	–	(217)
Interest expenses	–	(352)	(174)	–	(526)
Exchange realignment	24	–	(95)	–	(71)
As at 31 December 2021	11,729	(4,703)	(2,614)	(13,912)	(9,500)
As at 1 January 2022	11,729	(4,703)	(2,614)	(13,912)	(9,500)
Cash flows	57,044	(3,435)	2,928	7,921	64,458
Non-cash movements:					
Inception of lease contracts	–	–	(9,637)	–	(9,637)
Interest expenses	–	(316)	(118)	–	(434)
Lease termination	–	–	317	–	317
Exchange realignment	(77)	–	580	–	503
As at 31 December 2022	68,696	(8,454)	(8,544)	(5,991)	45,707

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowings – excluding bank overdrafts	Lease liabilities	Amounts due to directors	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2022 (Unaudited)	11,729	(4,703)	(2,614)	(13,912)	(9,500)
Cash flows	51,316	(4,152)	2,185	4,721	54,070
Non-cash movements:					
Inception of lease concepts	–	–	(2,518)	–	(2,518)
Interest expenses	–	(226)	(55)	–	(281)
Lease termination	–	–	317	–	317
Exchange realignment	(115)	–	104	–	(11)
As at 30 September 2022 (Unaudited)	62,930	(9,081)	(2,581)	(9,191)	42,077
As at 1 January 2023	68,696	(8,454)	(8,544)	(5,991)	45,707
Cash flows	(49,490)	582	3,155	4,922	(40,831)
Non-cash movements:					
Interest expenses	–	(336)	(208)	–	(544)
Lease termination	–	–	1,124	–	1,124
Exchange realignment	(85)	–	233	–	148
As at 30 September 2023	19,121	(8,208)	(4,240)	(1,069)	5,604

26 Related party transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of the Company are of the view that the following parties/company were related parties that had transactions or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Mr. Chan Kam Kong	Controlling shareholder and executive director
Mr. Chan Kam Kei	Controlling shareholder and executive director
Ms. Chan Suk Man	Controlling shareholder and executive director
Mr. Chan Wing Hong	Controlling shareholder and non-executive director
Ms. Choi Chick Cheong	Controlling shareholder and non-executive director
Wealthy River International Investment Limited	Controlled by Mr. Chan Kam Kong, Mr. Chan Kam Kei and Ms. Chan Suk Man

(b) The following transactions were carried out with related parties:

Save as disclosed in Note 24 of this report during the Track Record Period, the following transactions were carried out with related parties:

	Year ended 31 December			**Nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Rental paid in relation to short-term rental contract entered into with Wealthy River International Investment Limited	480	480	480	360	405

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

(c) Key management compensation

Key management includes the directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 9.

(d) Amounts due from/to a related company and directors

As at 31 December 2020, 2021, 2022 and 30 September 2023, the balances with a related company and directors of the Company were unsecured, interest-free, repayable on demand, non-trade in nature and approximate to their fair values. During the year ended 31 December 2021, the amount due from a director has been fully settled. In January 2024, the balance with a related company was settled in full through dividend.

During the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2023, the maximum amounts due from a related company were HK$6,550,000, HK$6,308,000, HK$12,260,000 and HK$12,033,000, respectively.

During the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2023, the maximum amount due from a director were HK$297,000, HK$297,000, nil and nil, respectively.

The balances with a related company and directors are denominated in HK$.

(e) Guarantee provided to a related company

As at 31 December 2020 and 2021, a subsidiary of the Group provided guarantee to the mortgage loans of a related company. During the year ended 31 December 2022, the guarantee was released upon repayment of loan by the related company.

(f) Amounts due to subsidiaries

As at 30 September 2023, non-trade payables balances due to subsidiaries of the Company were unsecured, interest-free and repayable on demand, approximate to their fair value and denominated in HK$.

27 Contingent liabilities

During the Track Record Period and in the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors of the Company are of the opinion that such claims are covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the Historical Financial Information.

28 Commitment

The Group did not have any material commitment as at 31 December 2020, 2021 and 2022 and 30 September 2023.

29 Subsequent events

In January 2024, the Company declared dividends of approximately HK$26,586,000 of which approximately HK$10,000,000 will be settled by cash and approximately HK$16,586,000 was offset against the aggregate amounts due from the Directors and the related company.

Other than the above subsequent events, there have been no other material events subsequent to the Track Record Period which require adjustment or disclosure in accordance with HKFRS.

30 Summary of other accounting policies

30.1 Subsidiaries

30.1.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

30.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

30.2 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

30.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information is presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

30.4 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

30.5 Financial assets

(a) Classification

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

(a) The asset is held within a business model whose objective is to collect the contractual cash flows; and

(b) The contractual terms give rise to cash flows that are solely payments of principal and interest.

Management determines the classification of its financial assets at initial recognition. The Group reclassifies debt investments when and only when its business model for managing the assets changes.

If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's financial assets comprise trade receivables, other receivables and deposits, amount due from a director, amount due from a related company and cash and cash equivalents.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including deposits and other receivables, management considers that their credit risks have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

30.6 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

30.7 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

30.8 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

30.9 Employee benefits

(a) Retirement benefit obligations

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong and participates in employee social security plan as required by the relevant local regulations in PRC. In Hong Kong, both the Group and the staff are required to contribute 5% of the employees' relevant income with a ceiling of HK$1,500 per month to the MPF scheme. The assets of the MPF Scheme are held in a separately administered fund. The Group's contributions to the MPF scheme are expensed as incurred. In PRC, the Company is required to make contributions to the plan which are based on a certain percentage of the eligible employee's relevant income. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(b) Bonus

The Group recognises a liability and an expense for where contractually obliged or where there is a past practice that has created a constructive obligation.

30.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

30.11 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

30.12 Dividend distribution

Dividend distribution to the shareholders of the Company or the companies now comprising the Group is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2023 and up to the date of this report. Save as disclosed in Note 29, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2023.

The information set forth in this Appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Our estimate of the consolidated profit **[REDACTED]** *is set out in "Financial information – Profit estimate* **[REDACTED]***" of this document.*

(A) PROFIT ESTIMATE [REDACTED]

Our Directors have prepared the estimate of the consolidated profit attributable to owners of the Company **[REDACTED]** (the "**Profit Estimate**") based on the audited consolidated results of our Group for the nine months ended 30 September 2023 and the unaudited consolidated results based on the management accounts of our Group for **[REDACTED]**. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the Accountant's Report, the text of which is set out in Appendix I to this document.

Profit estimate [REDACTED]

Estimated consolidated profit attributable to owners of our Company **[REDACTED]**	not less than approximately HK$**[REDACTED]** million

Note: The estimated consolidated profit attributable to owners of our Company **[REDACTED]** has taken into account of our estimated **[REDACTED]** of approximately HK$**[REDACTED]** million incurred during the **[REDACTED]**.

(B) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

The Board of Directors
WK Group (Holdings) Limited

Grande Capital Limited

[Date]

Dear Sirs,

WK Group (Holdings) Limited (the "Company")

Profit Estimate [REDACTED]

We refer to the estimate of the consolidated profit attributable to owners of the Company **[REDACTED]** (the "**Profit Estimate**") set forth in the section headed Financial Information in the document of the Company dated **[REDACTED]** (the "**Document**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the nine months ended 30 September 2023 and the unaudited consolidated results based on the management accounts of the Group for **[REDACTED]**.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 (HKSQM), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated **[REDACTED]**, the text of which is set out in Appendix I of the Document.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for the inclusion in this document, received from Grande Capital Limited, the Sponsor, in relation to our Group's profit estimate **[REDACTED]**.

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

[REDACTED]

The Directors
WK Group (Holdings) Limited

Dear Sirs,

We refer to the estimate of consolidated profit attributable to owners of WK Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") **[REDACTED]** (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information – Profit estimate **[REDACTED]**" in the document of the Company dated **[REDACTED]** (the "**Document**").

The Profit Estimate has been prepared by the Directors based on the audited consolidated results of the Group for the nine months ended 30 September 2023 and the unaudited consolidated results based on the management accounts of the Group **[REDACTED]**.

We have reviewed and discussed with the Directors the bases made by the Directors as set out in Appendix III to the Document, upon which the Profit Estimate has been made. We have also considered and relied upon the letter dated **[REDACTED]** addressed to the Directors and ourselves from the Company's reporting accountant, PricewaterhouseCoopers, regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by the Directors and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Grande Capital Limited

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 June 2023 under the Companies Act. Our Company's constitutional documents consist of our Amended and Restated Memorandum of Association (**Memorandum**) and our Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 5 February 2024. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of our member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may, by an ordinary resolution of our members: (a) increase our share capital by the creation of new shares of such amount as we think expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of our share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as our Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

Our Board may, in our absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in our absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

Our Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of our Company to purchase our own shares

Our Company may purchase our own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may, from time to time, make such calls as we thinks fit upon our members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if we think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If our member fails to pay any call or instalment of a call on the day appointed for payment, our Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on our member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be our member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in our discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by our members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by our Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of our Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and our Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of our Board for six consecutive months, and our Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one or more of our body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of our powers to committees consisting of such Director(s) or other person(s) as our Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in our absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of our subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as our Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on our own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of our subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, our Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in our Company or any company which is a holding company of our Company.

(ix) Disclosure of interest in contracts with our Company or any of our subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or our members for any remuneration or other benefit received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as we think fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to our Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of our subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which our Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of our Company or any of our subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which our Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of our Company or any of our subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) Proceedings of our Board

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate our meetings as we think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of our member being a corporation, by our duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of our member being a corporation, by our duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by our member which is a Clearing House (as defined in the Articles) or our nominee(s), each such proxy shall have one vote on a show of hands. On a poll, our member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all our members having the right to vote at the meeting; or

(C) our member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting each financial year other than the financial year of our Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of our Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by our Board and at such time and place as our Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of our members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of our member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our

Company and shall be entitled to exercise the same powers on behalf of our member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of our member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of our member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to our member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable our member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) Right to Speak

All our members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where our member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at our annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with our Board. Our auditors' remuneration shall be fixed by our members in general meeting by an ordinary resolution or in such manner as our members may determine.

Our members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

Our auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to our members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that our members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by an ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if we think fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as our Board may decide, but a payment in advance of a call shall not entitle our member to receive any dividend or to exercise any other rights or privileges as our member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is **[REDACTED]** on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among our members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the surplus assets available for distribution among our members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by our members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among our members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between our members or different classes of members and our members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 28 June 2023 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct our operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of a company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, our Company is required to maintain at our registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 28 June 2023.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 July 2023 and the principal place of business in Hong Kong is Room 1510-1511, 15th Floor, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. In connection with such registration, our Company has appointed Ms. Karen Chan and Mr. Tam Hon Fai of Room 1510-1511, 15th Floor, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong as the authorised representatives for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the Companies Act and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Act and certain provisions of the Articles is set out in Appendix IV to this document.

2. Changes in the share capital of our Company

(a) As at the date of incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 ordinary shares of a nominal or par value of HK$0.01 each. Upon incorporation, one subscriber share in our Company with a par value of HK$0.01 was allotted and issued as fully paid to a nominee subscriber. On the same date, the said one subscriber share with a nominal or par value of HK$0.01 was transferred to WK (BVI) for a consideration of HK$0.01. Upon completion of the above transfer and share issue, WK (BVI) became our sole Shareholder.

(b) On 5 February 2024, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 ordinary shares of a nominal or par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 ordinary shares of a nominal or par value of HK$0.01 each by the creation of 9,962,000,000 new Shares. Such Shares shall rank equally in all respects with the existing issued Shares.

Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares with a nominal or par value of HK$0.01 each, of which **[REDACTED]** Shares with a nominal or par value of HK$0.01 each will be allotted and issued fully paid or credited as fully paid and **[REDACTED]** Shares with a nominal or par value of HK$0.01 each will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed "A. Further information about our Group – 5. Written resolutions of our sole Shareholder passed on 5 February 2024" and "A. Further information about our Group – 6. Repurchase of our Shares" under this appendix, the exercise of the **[REDACTED]** or the options that may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the paragraph headed "History, development and Reorganisation – Reorganisation" in this document, there has been no alteration in our Company's share capital since incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the **[REDACTED]**. Further details of which are set out in the paragraph headed "History, development and Reorganisation – Reorganisation" in this document.

4. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountant's Report.

Save as disclosed in the paragraph headed "History, development and Reorganisation – Reorganisation" in this document, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

5. Written resolutions of our sole Shareholder passed on 5 February 2024

Written resolutions of our sole Shareholder were passed on 5 February 2024 approving, amongst others, the following:

(a) the Memorandum and the Articles were adopted as the memorandum of association and the articles of association of our Company;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares, all of which shall rank equally in all respects with the existing Shares in issue; and

(c) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and conditions of the **[REDACTED]**" in this document:

(i) the **[REDACTED]** and the grant of the **[REDACTED]** by our Company were approved and our Directors were authorised to (aa) allot and issue the **[REDACTED]** and such number of Shares as may be required to be allotted and issued upon the exercise of the **[REDACTED]** on and subject to the terms and conditions stated in this document; (bb) implement the **[REDACTED]** and the **[REDACTED]** of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the **[REDACTED]** and the **[REDACTED]** with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) conditional upon the share premium account of our Company being credited as a result of the **[REDACTED]**, our Directors were authorised to capitalise the amount of HK$**[REDACTED]** from the amount standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of **[REDACTED]** Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on even date, or as each of them may direct in writing, in proportion (subject to rounding to avoid fractions and odd lots) to their then existing respective shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares in issue;

(iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or pursuant to, or in consequence of, the **[REDACTED]**, the **[REDACTED]**, the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme, Shares in aggregate not exceeding (1) 20% of the total number of Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and (2) the total number of Shares in issue which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of our Company's next annual general meeting, or the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first; and

(vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 5 February 2024, conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and conditions of the **[REDACTED]**" in this document, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). The Repurchase Mandate will remain effective until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Companies Act. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of our Company's share premium account before or at the time the Shares are repurchased, or, subject to the Companies Act, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

Further, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding days on which its shares were traded on the Stock Exchange.

In addition, the Listing Rules prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant minimum percentage prescribed by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Act, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to the repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day.

In addition, a listed company's annual report is required to disclose details regarding the repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate of any of them and a core connected person shall not knowingly sell his or its securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Share to our Company or our subsidiaries. Our Directors have confirmed that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of Hong Kong and the Cayman Islands, and that neither the explanatory statement nor the Repurchase Mandate has any unusual features.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public float under the Listing Rules).

Our Company has not made any repurchases of our own securities since our incorporation.

No core connected person has notified our Company that he has a present intention to sell our Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material:

(a) a sale and purchase agreement dated 21 July 2023 entered into among Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan (as vendors), WK Development (as purchaser) and our Company, pursuant to which WK Development acquired 510,000 ordinary shares, 510,000 ordinary shares, 255,000 ordinary shares, 255,000 ordinary shares and 170,000 ordinary shares in Wing Kei Hong Kong from Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan, respectively, representing 30%, 30%, 15%, 15% and 10% of the issued share capital of Wing Kei Hong Kong, respectively, the consideration of which was settled by WK Development allotting and issuing 100 shares of US$1 each, credited as fully paid, to the Company at the direction of Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan;

(b) the Deed of Indemnity; and

(c) the **[REDACTED]**

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are, in the opinion of our Directors, material to our Group's business:

Trademark	Registered owner	Class	Place of registration	Trademark number	Registration date	Expiry date
	Wing Kei Hong Kong	6, 16, 37	Hong Kong	306299380	20 July 2023	19 July 2033
	Wing Kei Hong Kong	6, 16, 37	Hong Kong	306342985	7 September 2023	6 September 2033
	Wing Kei Hong Kong	6, 16, 37	Hong Kong	306342994	7 September 2023	6 September 2033
	Wing Kei Hong Kong	6, 16, 37	Hong Kong	306343001	7 September 2023	6 September 2033

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is, in the opinion of our Directors, material to our Group's business:

Domain Name	Registered owner	Registration Date	Expiry Date
www.wing-kei.com.hk	Wing Kei Hong Kong	11 April 2003	12 April 2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

***(a) Interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company and our associated corporations after completion of the* [REDACTED] *and the* [REDACTED]**

Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in our Company

Name of Director/ chief executive	**Capacity/ Nature of interest**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding**
Mr. Kelvin Chan	Interest in a controlled corporation *(Note 2)*	**[REDACTED]** (L)	**[REDACTED]**
Mr. Eddie Chan	Interest in a controlled corporation *(Note 2)*	**[REDACTED]** (L)	**[REDACTED]**
Ms. Karen Chan	Interest in a controlled corporation *(Note 2)*	**[REDACTED]** (L)	**[REDACTED]**
Mr. WH Chan	Interest in a controlled corporation/Interest of spouse *(Notes 2 and 3)*	**[REDACTED]** (L)	**[REDACTED]**
Ms. Choi	Interest in a controlled corporation/Interest of spouse *(Notes 2 and 3)*	**[REDACTED]** (L)	**[REDACTED]**

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

2. Our Company will be owned as to **[REDACTED]** by WK (BVI) immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme). WK (BVI) is owned as to 30% by Mr. Kelvin Chan, 30% by Mr. Eddie Chan, 15% by Mr. WH Chan, 15% by Ms. Choi and 10% by Ms. Karen Chan. By virtue of the SFO, Mr. Kelvin Chan, Mr. Eddie Chan, Mr. WH Chan, Ms. Choi and Ms. Karen Chan are deemed to be interested in the same number of Shares held by WK (BVI).

3. Mr. WH Chan and Ms. Choi are spouse. Under the SFO, Mr. WH Chan is deemed to be interested in the same number of Shares in which Ms. Choi is interested, and Ms. Choi is deemed to be interested in the same number of Shares in which Mr. WH Chan is interested.

(ii) Interest in the associated corporation of our Company

Name of Director/ chief executive	**Capacity/ Nature of interest**	**Name of associated corporation**	**Number of shares in the associated corporation** *(Note)*	**Approximate percentage of shareholding in the associated corporation**
Mr. Kelvin Chan	Beneficial owner	WK (BVI)	30 (L)	30%
Mr. Eddie Chan	Beneficial owner	WK (BVI)	30 (L)	30%
Mr. WH Chan	Beneficial owner	WK (BVI)	15 (L)	15%
Ms. Choi	Beneficial owner	WK (BVI)	15 (L)	15%
Ms. Karen Chan	Beneficial owner	WK (BVI)	10 (L)	10%

Note: The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.

(b) Interests and/or short positions of the substantial shareholders under the SFO

Please refer to the section headed "Substantial Shareholders" in this document for details of the persons (other than a Director or a chief executive of our Company)/ corporations who/which will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which is, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group.

Our Directors are not aware of any persons who will immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in our Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in our Shares, other than those as disclosed above.

2. Particulars of Directors' service agreements and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from the **[REDACTED]**. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term.

(b) Non-executive Directors and Independent non-executive Directors

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company for an initial fixed term of one year commencing from the **[REDACTED]**. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month's written notice of non-renewal before the expiry of the then existing term.

Save as disclosed in this document, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK$7.5 million, HK$8.6 million, HK$8.6 million and HK$5.3 million, respectively.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the aggregate contributions to pension schemes for our Directors were approximately HK$54,000, HK$54,000, HK$54,000 and HK$42,000, respectively.

For FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the aggregate bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately HK$0.5 million, HK$1.6 million, HK$1.6 million and nil, respectively.

Under the arrangements currently in force, our Company estimates that the aggregate remunerations payable to, and benefits in kind receivable by, our Directors (including our independent non-executive Directors) for FY2023 will be approximately HK$9.0 million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023.

Under the arrangements currently proposed, conditional upon the **[REDACTED]**, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Company to each of our Directors will be as follows:

	HK$
Executive Directors	
Mr. Kelvin Chan	1,440,000
Mr. Eddie Chan	2,400,000
Ms. Karen Chan	1,440,000
Non-executive Directors	
Mr. WH Chan	1,200,000
Ms. Choi	600,000
Independent non-executive Directors	
Mr. Cha Ho Wa	150,000
Mr. Yu Chun Kit	150,000
Mr. Liu Chi Kwun Albert	150,000

Each of our executive Directors, non-executive Directors and independent non-executive Directors is entitled to the reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Company from time to time or for providing services to our Company or executing their functions in relation to our Company's business and operations.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of each of FY2020, FY2021, FY2022 and the nine months ended 30 September 2023 by our Company to our Directors.

4. Related Party Transactions

Details of the related party transactions are set out under note 26 to the Accountant's Report.

5. Disclaimers

(a) save as disclosed in the paragraph headed "C. Further information about our Directors and substantial shareholders – 1. Disclosure of Interests" in this appendix, none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of the associated corporation(s) (within the meaning of Part XV of the SFO), immediately after the completion of the **[REDACTED]** and the **[REDACTED]**, without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are **[REDACTED]**;

(b) save as disclosed in the paragraph headed "C. Further information about our Directors and substantial shareholders – 1. Disclosure of Interests" in this appendix, our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share that may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme) have an interest or short position in our Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of our Group;

(c) none of our Directors or the experts under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor the experts named under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our Company's business;

(e) none of the experts named under the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who are interested in more than 5% of the share capital has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contributions to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

(i) any Directors and employees of our Group (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any member of our Group) (the "**Employee Participants**");

(ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company (the "**Related Entity Participants**"); and

(iii) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group, which may include persons who work for the member of our Group as independent contractors where the continuity and frequency of his/her service is akin to those of employees (the "**Service Providers**"), but excluding any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participant's experience in the business of our Group, the length of his/her service with our Group, his/her contribution to the development and growth of our Group and other factors as our Directors may at their discretion consider appropriate. In assessing the eligibility of any Service Provider and whether such Service Provider provides services on a continuing or recurring basis in the ordinary and usual course of business of our Group, our Directors shall consider all relevant factors as appropriate from time to time, including (i) the experience of the Service Provider; (ii) the types of services that the Service Provider had provided to our Group; (iii) the period of engagement of the Service Provider; (iv) the contribution and/or future contribution of the Service Provider to the development and growth of our Group.

(c) Maximum number of Shares

(i) The total number of Shares which may be allotted and issued in respect of all options to be granted under the Share Option Scheme and any other share option schemes and share award schemes of our Group shall not in aggregate exceed 10% of the total number of Shares (assuming that the **[REDACTED]** is not exercised) in issue at the time **[REDACTED]** in our Shares first commence on the Stock Exchange, being **[REDACTED]** Shares (the "**Scheme Mandate Limit**") unless our Company obtains an approval from our Shareholders pursuant to paragraphs (iii) and (iv) below. The options which are cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) or share award scheme(s) of our Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

(ii) Subject to paragraph (i), the total number of Shares which may be allotted and issued in respect of all options to be granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Group to Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed one (1) per cent of the total number of Shares (assuming the **[REDACTED]** (as defined in this document)) in issue at the time **[REDACTED]** in the Shares first commence on the Stock Exchange (the "**Service Provider Sublimit**") unless our Company obtains an approval from our Shareholders pursuant to paragraphs (iii) and (iv) below.

(iii) Without prejudice to (iv) below, our Company may seek approval of our Shareholders in a general meeting to refresh the Scheme Mandate Limit and Service Provider Sublimit after three years from the approval of our Shareholders for the adoption of the Share Option Scheme or the last refreshment.

(iv) Any refreshment within any three year period must be approved by our Shareholders subject to:

(a) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

(b) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under paragraphs (a) and (b) above do not apply if the refreshment is made immediately after an issue of securities by our Company to our Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.

(v) The total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme and share award schemes of our Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the limit.

(vi) Our Company may seek separate Shareholders' approval in a general meeting to grant options under the Share Option Scheme beyond the Scheme Mandate Limit, or if applicable, the extended limit referred to in (iii) or (iv) above to eligible participants identified by our Company before such approval is sought. The number and terms of options or awards to be granted to such eligible participants must be fixed before Shareholders' approval. In respect of any options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the subscription price.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any option or award which may be granted under any other share option scheme(s) and share award scheme(s) of our Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of our Company for the time being (the "**1% Individual Limit**"). Where any further grant of options under the Share Option Scheme to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options and awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Group in the 12-month period up to and including the date of such further grant exceeding the 1% Individual Limit, such further grant must be separately approved by our Shareholders in a general meeting of our Company with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms of the options to be further granted to such Grantee must be fixed before Shareholders' approval. In respect of any options to be further granted, the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(e) Grant of options to core connected persons

(i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).

(ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to an independent non-executive Director or a substantial shareholder or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding but excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of our Shares in issue.

Such further grant of options must be approved by our Shareholders in a general meeting. The grantee, his/her associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a participant who is a Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by our Shareholders in the manner as set out in this paragraph if the initial grant of the options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme).

For the purpose of seeking the approval from our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a Business Day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee but in any event shall not be more than ten (10) years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for **[REDACTED]** in our Shares on the Main Board or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Vesting Period and performance targets

The vesting period for options shall be determined by the Board and in any case, shall not be less than twelve (12) months. A shorter vesting period may be granted to an Employee Participant at the discretion of the Board in the following circumstances:

(i) grants of "make-whole" options to new joiners to replace the share awards they forfeited when leaving the previous employer;

(ii) grants of options to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;

(iii) grants of options with performance-based vesting conditions in lieu of time-based vesting criteria;

(iv) grants of options that are made in batches during a year for administrative and compliance reasons;

(v) grants of options with a mixed or accelerated vesting schedule such as where the options may vest evenly over a period of 12 months; and

(vi) grants of options with a total vesting and holding period of more than 12 months.

The Board may determine and set any performance targets, which shall be stated in the offer to the grantee, to be attained before the exercise of an option granted to the grantee as the Board may think fit. Such performance targets may include: (i) aggregate amount of revenue or business generated by the specific grantee during a financial year; (ii) annual growth on the revenue of our Group as compared to the immediately preceding financial year; or (iii) any measurable performance benchmark which the Board considers is relevant to the grantee.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustment made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;

(ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as our Shares are **[REDACTED]** on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary(ies) whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an Employee Participant, the date on which the grantee ceases to be an Employee Participant by reason of the termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of his/her cessation to be an Employee Participant.

(o) Rights on breach of contracts

In respect of a grantee other than an Employee Participant, the date on which our Directors shall at their absolute discretion determine that (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever, the option shall lapse as a result of any event specified in sub-paragraphs (1) to (3).

(p) Rights on a general offer, a compromise or an arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other terms on which his/her option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his/her option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his/her option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his/her option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he/she shall accordingly be entitled, in respect of the Shares allotted and issued to him/her in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of our Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(i) the provisions of paragraphs (l), (m), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (l), (m), (n) and (o) above shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) Adjustment to the subscription price

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct our auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

(i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or

(ii) the subscription price of any option; and/or

(iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by our auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), rounded to the nearest whole share, for which such grantee would have been entitled to subscribe had he/she exercised all the options held by him/her immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, our auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letters from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with the available Scheme Mandate Limit, the Service Provider Sublimit or the limits approved by our Shareholders pursuant to paragraph (c)(iii) or (c)(iv) above (excluding, for this purpose, the options so cancelled).

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so do so, unless a waiver is granted by the Stock Exchange allowing the transfer of the option to a vehicle for the benefit of the grantee and any family members of such grantee for estate planning and tax planning purposes that would continue to meet the purpose of the Share Option Scheme and the Listing Rules. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) Others

(i) The Share Option Scheme is conditional upon:

(1) the Stock Exchange granting the **[REDACTED]** of and permission to **[REDACTED]** such number of Shares representing the Scheme Mandate Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and

(2) the passing of the necessary resolutions to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of our Shareholders.

(ii) Any alterations to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of grantees or prospective grantees must be approved by our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the Articles of Association for the time being of our Company for a variation of the rights attached to the Shares.

(iii) Subject to paragraph (v) below, any alterations to the terms of options granted to a participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iv) The terms of the Share Option Scheme and/or any option amended must comply with the applicable requirements of the Listing Rules.

(v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the **[REDACTED]** of and permission to **[REDACTED]** the Shares within the Scheme Mandate Limit pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the "**Indemnifiers**") have, under a Deed of Indemnity as referred to in paragraph (b) of the paragraph headed "B. Further Information about the Business of our Group – 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our Company's subsidiaries) in connection with, among other things:

(a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions (including but not limited to any transactions involved in the Reorganisation), events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the **[REDACTED]** becomes unconditional; and

(b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the **[REDACTED]** becomes unconditional and (ii) any alleged or actual violation or breach or non-compliance by any member of our Group with any laws, regulations, rules or administrative orders or measures in Hong Kong or other applicable jurisdictions on or before the date on which the **[REDACTED]** becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;

- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the **[REDACTED]** becomes unconditional; or

- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the **[REDACTED]** becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings / Litigation

To the best knowledge of our Directors, save as disclosed in the paragraph headed "Business – Litigations and claims" in this document, as at the Latest Practicable Date, neither our Company nor any of our Company's subsidiaries was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on the results of operations or financial condition.

3. Application for [REDACTED] of Shares

Our Company has applied to the Listing Committee for the **[REDACTED]** of, and the permission to **[REDACTED]**, the Shares in issue and to be issued pursuant to the **[REDACTED]** and the **[REDACTED]** as mentioned herein (including the additional Shares which may be issued upon full exercise of the **[REDACTED]**) and the Shares to be issued upon the exercise of any option which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Grande Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the **[REDACTED]**.

5. Preliminary expenses

The estimated preliminary expenses amounted to approximately HK$46,000 and has been paid by our Company.

6. Promoter

(a) We do not have any promoter.

(b) Within the two years immediately preceding the date of this document, no amount or benefit has been paid or given to any promoter of our Company in connection with the **[REDACTED]** or the related transactions described in this document.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document, and have given and have not withdrawn their written consent to the issue of this document with the inclusion of their letter, report, and/or valuation certificate opinion and/or references to their names (as the case may be), all of which are dated the date of this document, in the form and context in which they respectively appear in this document:

Name	Qualifications
Appleby	Legal advisers to our Company as to Cayman Islands law
China Commercial Law Firm	Legal advisers to our Company as to PRC law
Frost & Sullivan Limited	Industry consultant
Grande Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ms. Queenie W.S. Ng	Barrister-at-law in Hong Kong
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

8. Consents of experts

Each of the abovementioned experts has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its reports, letters, opinions or summaries of opinions (as the case may be) and reference to its name included in the form and context in which it respectively appears.

As at the Latest Practicable Date, none of the experts referred to above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Fees of the Sponsor

The Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK$5.8 million in relation to the **[REDACTED]** and will be reimbursed for their expenses.

10. Independence of the Sponsor

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the **[REDACTED]**, other than the following:

(a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sponsor for acting as the sponsor of the **[REDACTED]**; and

(b) by way of the compliance advisory fee to be paid to Grande Capital Limited as our Company's compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to our Company has or may have, as a result of the **[REDACTED]**, any interest in any class of securities of our Company or any of our Company's subsidiaries. None of the directors and employees of the Sponsor has any directorship in our Company or any member of our Group. The Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed herein:

(a) within the two years immediately preceding the date of this document:

   (i) Save as disclosed in the section headed "History, development and Reorganisation" in this document, no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agrees to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;

   (ii) Save as disclosed in the section headed **[REDACTED]** in this document, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our Company's subsidiaries and no commission (excluding **[REDACTED]** commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Share or any of our Company's subsidiaries; and

(iii) Save as disclosed in the section headed **[REDACTED]** in this document, no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription, for any Share or shares of any member of our Group.

(b) No founder, management or deferred shares of our Company has been allotted and issued or agreed to be allotted and issued.

(c) Save as disclosed in the paragraph headed "D. Share Option Scheme" in this appendix, no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) Our Company has no outstanding convertible debt securities.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2023, which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report.

(g) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

13. Bilingual Document

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately but are available to the public at the same time at each place where this document is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

1. copies of the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to this document; and

2. the written consents as referred to in the paragraph headed "E. Other information – 8. Consents of experts" in Appendix V to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.wing-kei.com.hk** up to and including the date which is 14 days from the date of this document:

1. the Memorandum and the Articles of Association;

2. the Accountant's Report from PricewaterhouseCoopers in respect of the historical financial information for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023, the text of which is set out in Appendix I to this document;

3. the audited consolidated financial statements of our Group for FY2020, FY2021, FY2022 and the nine months ended 30 September 2023;

4. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

5. the letter from PricewaterhouseCoopers in respect of our Group's profit estimate for the year ended 31 December 2023 prepared by our Directors, the text of which are set out in Appendix III to this document;

6. the letter from the Sponsor in respect of our Group's profit estimate for the year ended 31 December 2023 prepared by our Directors, the text of which are set out in Appendix III to this document;

7. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this document;

8. the legal opinion prepared by the Hong Kong Legal Counsel;

9. the legal opinion prepared by the PRC Legal Advisers;

10. the industry report prepared by Frost & Sullivan;

11. the Companies Act;

12. the rules of the Share Option Scheme;

13. the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to this document;

14. the service agreements and letters of appointment as referred to in the paragraph headed "C. Further information about our Directors and substantial shareholders – 2. Particulars of Directors' service agreements and appointment letters" in Appendix V to this document; and

15. the written consents as referred to in the paragraph headed "E. Other information – 8. Consents of experts" in Appendix V to this document.