Unity Enterprise Holdings Limited

盈滙企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2195

SHARE OFFER

Sponsor

Grande Capital Limited
均富融資有限公司

Joint Bookrunners

中佳證券有限公司
Zhong Jia Securities Limited

MTF SECURITIES

Joint Lead Managers

Sinomax Securities Ltd.
佳富達證券

VINCO 域高

潮商證券有限公司
ChaoShang Securities Limited

結好證券有限公司
GET NICE SECURITIES LIMITED

聯合證券
Head & Shoulders Securities

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Unity Enterprise Holdings Limited
盈 滙 企 業 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Total number of Offer Shares	**:**	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**25,000,000 Shares (subject to re-allocation)**
Number of Placing Shares	**:**	**225,000,000 Shares (subject to re-allocation and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$0.56 per Offer Share and expected to be not less than HK$0.50 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2195**

Sponsor

Grande Capital Limited
均富融資有限公司

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潮商證券有限公司 ChaoShang Securities Limited
SFC Licensed Corporation (CE No.: BGH629)

結好證券有限公司 GET NICE SECURITIES LIMITED

聯合證券 Head & Shoulders Securities

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, 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 prospectus, 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. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The final Offer Price is expected to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 24 March 2021 and in any event, not later than Thursday, 25 March 2021. The Offer Price will be not more than HK$0.56 per Share and is currently expected to be not less than HK$0.50 per Share, unless otherwise announced.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares being offered and/or the indicative Offer Price range will be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.hongdau.com.hk** not later than the morning of the last day for lodging applications under the Public Offer. 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 Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Thursday, 25 March 2021, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section "Risk factors". Pursuant to the Public Offer Underwriting Agreement, the Joints Bookrunners have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the paragraph headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus.

Friday, 19 March 2021

*If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and of our Company (**www.hongdau.com.hk**).*

Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, 19 March 2021
Application lists open[2]	11:45 a.m. on Wednesday, 24 March 2021
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[3]	12:00 noon on Wednesday, 24 March 2021
Application lists close[2]	12:00 noon on Wednesday, 24 March 2021
Expected Price Determination Date[4]	Wednesday, 24 March 2021
(a) Announcement of the final Offer Price, the indication of level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published (i) on the website of our Company at **www.hongdau.com.hk**; and (ii) on the website of the Stock Exchange at **www.hkexnews.hk** on or before[5]	Tuesday, 30 March 2021
(b) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the paragraph headed "How to apply for the Public Offer Shares — 10. Publication of results" from	Tuesday, 30 March 2021
A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[5] and our Company's website at **www.hongdau.com.hk**[6]	Tuesday, 30 March 2021
Results of allocations in the Public Offer will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment)** with a "search by ID" function on	Tuesday, 30 March 2021
Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[7]	Tuesday, 30 March 2021

Despatch of refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before[8]	Tuesday, 30 March 2021
Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Wednesday, 31 March 2021

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 24 March 2021, the application lists will not open and close on that day. For further details, please refer to the paragraph headed "How to apply for the Public Offer Shares — 9. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Wednesday, 24 March 2021, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

4. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Wednesday, 24 March 2021 and in any event, not later than Thursday, 25 March 2021. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Thursday, 25 March 2021 between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.

5. The announcement will be available for viewing on the "Main Board — Allotment of results" page on the Stock Exchange at **www.hkexnews.hk**.

6. None of the information contained on any website forms part of this prospectus.

7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 30 March 2021 or any other date as notified by us in the newspapers as the date of despatch of share certificates/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. For further details, please refer to the section headed "How to apply for the Public Offer Shares" in this prospectus.

8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your

Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. For further details, please refer to the section headed "How to apply for the Public Offer Shares" in this prospectus.

Share certificates are expected to be issued on Tuesday, 30 March 2021 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

You should rely only on the information contained in this prospectus 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 prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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

OVERVIEW

We are a contractor specialising in RMAA works in Hong Kong. During the Track Record Period, we undertook repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, design of new structural works and checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

During the Track Record Period, most of our projects were project-based while some were on term contract basis. Under the project-based contracts, we have completed 67 projects during the Track Record Period and the aggregate original contract sum of which amounted to approximately HK$1,493.3 million. During the Track Record Period, we have undertaken 11 term contracts that contributed revenue to our Group, which were all awarded by Customer E, with the aggregate original contract sum approximately HK$185.8 million. We were responsible for the provision of general building repair for specified properties with a fixed term of three years based on the requests by Customer E on an order-by-order basis. For details of our projects, please refer to the paragraph headed "Business — Our projects" in this prospectus.

For those project-based contracts, we primarily acted as a subcontractor or, to a lesser extent, as a main contractor. We normally engage subcontractors to carry out the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

For the projects that we acted as the main contractor, we are also responsible for the overall management, implementation and supervision of projects, including preparation of engineering design and technical submission, devising detailed work programmes, coordination with customers or their consultants. The following table sets out our revenue during the Track Record Period by reference to our role in the project and contract nature:

	FY2016				FY2017				FY2018				FY2019				Nine months ended 30 September 2019				Nine months ended 30 September 2020			
	Revenue		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**	**Revenue**		**Gross profit**	**Gross profit margin**
	HK$'000	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*
																	(Unaudited)							
Project-based																								
Subcontractor	129,071	69.4	12,756	9.9	222,815	96.6	31,602	14.2	292,615	96.9	51,613	17.6	292,325	87.4	61,095	20.9	222,503	87.1	45,626	20.5	218,670	92.2	43,124	19.7
Main contractor	42,589	22.9	11,356	26.7	2,059	0.9	323	15.7	4,023	1.3	864	21.5	5,274	1.6	430	8.2	4,263	1.7	185	4.3	3,600	1.5	674	18.7
Term-contract	14,315	7.7	885	6.2	5,684	2.5	267	4.7	5,340	1.8	262	4.9	36,650	11.0	1,385	3.8	28,808	11.2	1,140	4.0	14,832	6.3	566	3.8
Total	185,975	100.0	24,997	13.4	230,558	100.0	32,192	14.0	301,978	100.0	52,739	17.5	334,249	100.0	62,910	18.8	255,574	100.0	46,951	18.4	237,102	100.0	44,364	18.7

We maintain the necessary licences for carrying on RMAA services. Our Group is an approved contractor of (i) Registered General Building Contractor under the Buildings Ordinance; and (ii) Registered Electrical Contractor under the Electricity (Registration) Regulations. For details of our licences and qualifications, please refer to the paragraph headed "Business — Our licences and qualifications" in this prospectus.

OUR CUSTOMERS

The number of customers with revenue contribution to us was 11, 13, 14, 12 and 14 for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively. During the Track Record Period, our customers included (i) contractors and incorporated owners of private residential buildings; (ii) contractors and corporate customers of private commercial and industrial buildings; and (iii) institutional organisation. The following table sets out our revenue during the Track Record Period by reference to the type of buildings:

	FY2016				FY2017				FY2018				FY2019				Nine months ended 30 September 2019				Nine months ended 30 September 2020			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*	*HK$'000*	*% of the total revenue*	*HK$'000*	*%*
																		(Unaudited)						
Residential	142,616	76.7	19,890	13.9	87,878	38.1	13,197	15.0	86,044	28.5	18,052	21.0	183,156	54.8	40,892	22.3	145,560	57.0	32,850	22.6	147,768	62.3	28,156	19.1
Commercial and industrial	43,359	23.3	5,107	11.8	141,294	61.3	18,702	13.2	215,934	71.5	34,687	16.1	151,093	45.2	22,018	14.6	110,014	43.0	14,101	12.8	89,334	37.7	16,208	18.1
Institutional organisation	Nil	0.0	Nil	0.0	1,386	0.6	293	21.1	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0
Total	185,975	100.0	24,997	13.4	230,558	100.0	32,192	14.0	301,978	100.0	52,739	17.5	334,249	100.0	62,910	18.8	255,574	100.0	46,951	18.4	237,102	100.0	44,364	18.7

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our largest customer accounted for approximately 22.6%, 41.9%, 52.4%, 24.2% and 47.3% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 76.8%, 82.5%, 84.4%, 82.9% and 87.7% of our total revenue, respectively. According to the F&S Report, customer concentration is not uncommon specifically in the RMAA industry in Hong Kong. Our Directors are of the view that, despite the customer concentration, our business model is sustainable.

For details of our customers, please refer to the section headed "Business — Our customers" in this prospectus.

OUR SUPPLIER AND SUBCONTRACTORS

During the Track Record Period, we normally engage subcontractors to carry out all site works under close supervision and management by our project management team and do not have our own site workers for execution. We oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget. During the Track Record Period, we recorded relatively low purchase costs from our suppliers as we generally require our subcontractors to bear the cost of construction materials. In some occasion, materials may be procured by us on our own account for the use of our subcontractors or our customers may purchase materials on our behalf and such accounts are subsequently settled under contra-charge arrangement. Materials are procured by us on a project-by-project basis to meet the estimated demand according to the work schedule of the projects. As such, we did not keep any inventories during the Track Record Period. Our suppliers include (i) subcontractors; (ii) suppliers of construction materials, such as glazed ceramic wall tiles, paint and uPVC pipes; and (iii) suppliers of other miscellaneous services. The works we subcontract to our subcontractors are generally labour intensive, such as scaffolding, plastering, painting, improvement of fire services system, waterproofing, fitting-out works, and plumbing and drainage works. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's subcontracting fees amounted to approximately HK$152.3 million, HK$194.8 million, HK$246.5 million, HK$266.8 million and HK$188.8 million, representing approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our Group's total cost of services, respectively.

For details of our suppliers, please refer to the paragraph headed "Business — Our suppliers" in this prospectus.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

With the growing demand for RMAA works resulted from various mandatory inspection requirement such as Mandatory Building Inspection Scheme, revitalisation and redevelopment of ageing buildings, the market size of RMAA works by revenue in Hong Kong has experienced a steady growth from approximately HK$67.8 billion in 2014 to approximately HK$77.8 billion in 2019, representing a CAGR of 2.8%. Going forward, the expected increase in stock level of ageing buildings in Hong Kong (e.g. private residential building units aged 20 years and above in Hong Kong is expected to increase from over 1,000,000 in 2019 to over 1,100,000 in 2030) and increasing level of regular repair and renovation works to be conducted on ageing building serve as key support to the development of RMAA works market in Hong Kong. Subsequently, it is estimated that the market size of RMAA works will increase further at a CAGR of 3.5% during 2020 to 2024, reaching approximately HK$90.1 billion by 2024.

According to the F&S Report, the Hong Kong RMAA works market is highly competitive and fragmented, with the top five leading participants contributing an aggregate market share of approximately 11.6% in terms of revenue in 2019. The revenue of our Group was approximately HK$334.2 million in 2019, accounting for approximately 0.4% market share in terms of revenue generated from RMAA works in 2019.

We believe that our competitive strengths include (i) established presence in the RMAA industry in Hong Kong; (ii) stringent quality control and high safety standard and environmental impact control; and (iii) experienced and dedicated management team. For further details, please refer to the paragraph headed "Business — Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our market position, increase our market share and capture the growth in the RMAA industry. We intend to achieve this objective by adopting the following implementation plan: (i) upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects; (ii) further strengthening our financial position for the purpose of securing additional and large-scale RMAA projects; and (iii) further strengthening our manpower to cope with our business development. For details of our business strategies, please refer to the paragraph headed "Business — Business strategies" in this prospectus.

PRINCIPAL RISK FACTORS

Our Directors believe that there are certain risks and uncertainties involved in our operations. Some of the material risks include:

- we are reliant on the availability of RMAA projects in Hong Kong;
- a significant portion of our revenue during the Track Record Period was attributable to the contracts and work orders awarded by a limited number of customers;
- we derive our past revenue and profit margin from projects of a non-recurrent nature;
- we make estimation of the project price based on our estimated time and costs in our tenders; and
- we heavily rely on subcontractors to help complete our projects.

Further details of the risks we are exposed to are set out in the section headed "Risk factors" in this prospectus. Potential investors are advised to read the section headed "Risk factors" carefully before making any investment decision in the Offer Shares.

KEY OPERATIONAL AND FINANCIAL DATA

Summary of result of operations

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

(Expressed in HK$'000 except tender success rate and financial ratios)	**FY2016 or as at 31 December 2016**	**FY2017 or as at 31 December 2017**	**FY2018 or as at 31 December 2018**	**FY2019 or as at 31 December 2019**	**For the nine months ended 30 September 2020 or as at 30 September 2020**
Result of operations					
Revenue	185,975	230,558	301,978	334,249	237,102
Gross profit	24,997	32,192	52,739	62,910	44,364
Profit before income tax	17,579	21,938	51,486	37,987	34,744
Profit and total comprehensive income for the year/period	14,578	18,342	43,176	29,644	28,656

Non-HKFRS measures

We recognised non-recurring items in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits and adjusted net profit margin as non-HKFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies

The table below sets out the adjusted net profit and adjusted net profit margin in each respective year/period during the Track Record Period:

					Nine months ended 30 September	
	FY2016	**FY2017**	**FY2018**	**FY2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit and total comprehensive income for the year/period	14,578	18,342	43,176	29,644	20,089	28,656
Add: Non-recurring item — Listing expenses	—	—	—	13,599	10,425	3,971
Adjusted net profit for the year/period	14,578	18,342	43,176	43,243	30,514	32,627
Adjusted net profit margin for the year/period	7.8%	8.0%	14.3%	12.9%	11.9%	13.8%

Summary of cash flows, financial position and key financial ratio

(Expressed in HK$'000 except tender success rate and financial ratios)	**FY2016 or as at 31 December 2016**	**FY2017 or as at 31 December 2017**	**FY2018 or as at 31 December 2018**	**FY2019 or as at 31 December 2019**	**For the nine months ended 30 September 2020 or as at 30 September 2020**
Cash flows					
Operating profit before working capital changes	19,678	24,280	51,410	41,157	37,527
Change in working capital	(45,873)	(10,335)	25,508	(7,222)	(26,887)
Income tax paid	(4,066)	(3,052)	(4,889)	—	(4,669)
Net cash (used in)/generated from operating activities	(30,261)	10,893	72,029	33,935	5,971
Net cash generated from/(used in) investing activities	20,958	(9,501)	(75,183)	(23,151)	(22,042)
Net cash generated from/(used in) financing activities	1,968	(2,792)	4,055	(3,041)	10,375
Net (decrease)/increase in cash and cash equivalents	(7,335)	(1,400)	901	7,743	(5,696)
Financial position					
Total current assets	125,005	174,863	150,005	173,846	223,274
Total current liabilities	97,403	134,050	125,304	144,003	176,259
Net current assets	27,602	40,813	24,701	29,843	47,015
Net assets	28,416	42,558	25,734	31,378	45,034
Key financial ratio					
Gross profit margin	13.4%	14.0%	17.5%	18.8%	18.7%
Net profit margin	7.8%	8.0%	14.3%	8.9%	12.1%
Return on equity	51.3%	43.1%	167.8%	94.5%	63.6%
Return on total assets	11.6%	10.4%	28.6%	16.9%	12.8%
Current ratio	1.3	1.3	1.2	1.2	1.3
Quick ratio	1.3	1.3	1.2	1.2	1.3
Trade receivables turnover days	97.5 days	176.0 days	143.8 days	119.8 days	150.3 days
Trade payables turnover days	55.0 days	73.6 days	74.8 days	82.9 days	105.7 days
Gearing ratio	8.4%	0.0%	17.4%	6.4%	28.4%
Tender success rate					
Number of tenders and quotations submitted	66	86	80	51	31 *(Note 2)*
Number of contracts awarded *(Note 1)*	13	17	17	12	9
Success rate *(Note 1)*	19.7%	19.8%	21.3%	23.5%	29.0%

Notes:

1. Success rate for a financial year was calculated based on the number of successful tenders (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year. The calculation has excluded the tenders and quotations submitted but pending results as at the Latest Practicable Date.

2. As at the Latest Practicable Date, we have 15 and 17 submitted tenders in FY2019 and the nine months ended 30 September 2020 with an aggregate estimated contract sum of approximately HK$750.2 million and HK$290.4 million which were undergoing tendering process and still pending result.

Discussion of selected key operational and financial data

Our revenue increased by approximately HK$71.4 million or 31.0% from approximately HK$230.6 million for FY2017 to approximately HK$302.0 million for FY2018. Such increase in our revenue was mainly driven by (i) the rising number of projects which contributed revenue to our Group; (ii) our sizable project with total contract sum over HK$200 million undertaken and commenced in FY2017, with relatively more work performed during FY2018; and (iii) our success in securing another sizable project with total contract sum over HK$100 million in FY2018 which was awarded by a new customer. Our revenue further increased by approximately HK$32.3 million or 10.7% to approximately HK$334.2 million for FY2019 mainly due to (i) larger revenue was contributed by project with total contract sum of HK$50 million to below HK$100 million and HK$10 million to below HK$50 million during FY2019; (ii) our success in securing a sizable project with total contract sum over HK$200 million in May 2019, which was awarded by a new customer in FY2019; and (iii) our success in securing another sizable project with total contract sum over HK$100 million in the fourth quarter of 2018, which was awarded by a new customer in FY2018. Our revenue decreased by approximately HK$18.5 million or 7.2% from approximately HK$255.6 million for the nine months ended 30 September 2019 to approximately HK$237.1 million for the nine months ended 30 September 2020 mainly due to (i) less revenue contributed by project with total contract sum of below HK$10 million and HK$10 million to below HK$50 million during the nine months ended 30 September 2020 to our Group; (ii) the outbreak of the COVID-19 since January 2020, and our Group has implemented certain preventive measures in our construction sites which our Directors consider that such measures reduced the efficiency of our workers and subcontractors and led to the slowing down of the progress of our projects on hand; (iii) the postponement in the commencement date from February 2020 to October 2020 of project TG(MBIS); and (iv) the completion of project IIC in early 2020 and project VC was at the last stage of carrying out site work during the nine months ended 30 September 2020, which contributed less revenue as compared with the corresponding period in 2019 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus).

Our gross profit margin remained broadly stable at approximately 13.4% for FY2016 and approximately 14.0% for FY2017 and increased to approximately 17.5% for FY2018. The increase in gross profit margin was primarily due to the less-than-proportionate increase in our subcontracting fees as a result of the lesser number of subcontractors had been engaged during FY2018 as compared to that in FY2017. Our gross profit margin has further increased to approximately 18.8% for FY2019. The increase was mainly due to the completion of a sizable project with total contract sum over HK$200 million in July 2018, with approximately 13.5% of gross profit margin. Such relatively low gross profit of the project was mainly because we intend to adopt a more competitive pricing strategy in order to secure our first sizable commercial and industrial development project with total contract sum over

HK$200 million. Our gross profit margin for the nine months ended 30 September 2020 remained relatively stable at approximately 18.7% for the nine months ended 30 September 2020 as compared with the gross profit margin in nine months ended 30 September 2019 at approximately 18.4%.

For FY2016, net cash used in operating activities was recorded at approximately HK$30.3 million, which was mainly attributed by the increase in trade receivables of approximately HK$89.2 million. Such increase in trade receivables was mainly contributed by the receivables from (i) Customer B for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to the legal proceedings, which amounted to approximately HK$32.8 million; (ii) King Wah for the newly awarded project SWG in FY2016 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) as the timing when we issued the invoices was at late 2016, amounted to approximately HK$20.9 million; and (iii) Customer A for the newly awarded project SCC in FY2016 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to our negotiation process with the customer for the settlement of the final payment, amounted to approximately HK$17.9 million.

During FY2018, we recorded a net cash generated from operating activities of approximately HK$72.0 million, which was primarily attributable to the profit before income tax of approximately HK$51.5 million, decrease in trade receivables of approximately HK$19.5 million and contract assets of approximately HK$19.8 million, partly offset by a decrease in accrued liabilities and other payables of approximately HK$13.3 million. During FY2019, we recorded a net cash generated from operating activities of approximately HK$33.9 million, which was primarily attributable to the profit before income tax of approximately HK$38.0 million as well as the increase in trade payables of approximately HK$24.1 million, which such increase was partially offset by the decrease in accrued liabilities and other payables of approximately HK$12.0 million and the contract assets of approximately HK$9.0 million. During the nine months ended 30 September 2020, we recorded a net cash generated from operating activities of approximately HK$6.0 million, which was primarily attributable to the profit before income tax of approximately HK$34.7 million, and the increase in accrued liabilities and other payables of approximately HK$21.3 million, while such increase was partially offset by the increase in trade receivables of approximately HK$41.6 million and the increase in contract assets of approximately HK$8.7 million.

Despite our profitable operation during FY2018, our net current assets decreased from approximately HK$40.8 million as at 31 December 2017 to approximately HK$24.7 million as at 31 December 2018. Such decrease was mainly attributable to the declaration and settlement of dividend by offsetting against an equivalent amount due from Mr. Yeung of approximately HK$60.0 million during FY2018. Our net current assets increased from approximately HK$24.7 million as at 31 December 2018 to approximately HK$29.8 million as 31 December 2019. The increase in our net current assets was mainly due to the increase in our current assets, in particular the increase in our contract assets and deposits, prepayments and other receivables, overweighed the increase in our current liabilities. Our net current assets increased from approximately HK$29.8 million as at 31 December 2019 to approximately HK$47.0 million as at 30 September 2020. Such increase was mainly attributable to the increase in our current assets, in particular the increase in our trade receivables of approximately HK$40.0 million as a result of our profitable operation, which outweighed the increase in our current liabilities of approximately HK$32.3 million during the nine months ended 30 September 2020.

As at 31 December 2016 and 2017, our net assets amounted to approximately HK$28.4 million and approximately HK$42.6 million, respectively. The increase in our net assets was mainly due to the increase in our total assets of approximately HK$50.9 million or 40.4%, in particular the increase in trade receivables and contract assets, which was mainly attributed by the new sizable project during FY2017, overweighed the increase in our total liabilities of approximately HK$36.7 million or 37.7%. As at 31 December 2018, our net assets decreased to approximately HK$25.7 million. Such decrease was mainly attributable to the declaration and settlement of dividend by offsetting against an amount due from Mr. Yeung of approximately HK$60.0 million during FY2018 despite our profitable operation, as mentioned in the paragraph above. As at 31 December 2019, our net assets increased to approximately HK$31.4 million. Such increase was mainly attributable to the increase in our current assets in particular the increase in our deposits, prepayments and other receivables and contract assets, overweighed the increase in our current liabilities. As at 30 September 2020, our net assets increased to approximately HK$45.0 million. Such increase was mainly due to the increase in our total assets of approximately HK$49.2 million, in particular the increase in our trade receivables of approximately HK$40.0 million as a result of our profitable operation during the nine months ended 30 September 2020.

Please refer to the section headed "Financial information" in this prospectus for a detailed discussion and analysis of our financial information.

We secure projects through (i) open tenders published in local newspaper or website and (ii) invitations for tender and quotation by our customers or their consultants. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our tender and quotation success rate was 19.7%, 19.8%, 21.3%, 23.5% and 29.0%, respectively. For a detailed discussion and analysis of our tender success rate, please refer to the paragraph headed "Business — Operation flow — Award of contract" in this prospectus.

OUR SHAREHOLDERS

For investment purpose and to support Mr. Yeung's career development in the construction industry, Mrs. Yeung, acquired 95% of the issued share capital of HDC through a two-tier trust arrangement in June 2000, where various registered shareholders held the shares of HDC on trust for Mr. Yeung, and Mr. Yeung in turn held the shares on trust for Mrs. Yeung and Mrs. Yeung remained the beneficial owner of the shares of HDC at the material times. In October 2011, Mrs. Yeung further acquired the remaining 5% of the issued share capital of HDC through the two-tier trust arrangement and HDC became wholly owned by Mrs. Yeung beneficially until all the shares of HDC were acquired by Keybase Assets, a company wholly owned by Mr. Yeung, in September 2012. The shares of HDE were also beneficially owned by Mrs. Yeung through a two-tier trust arrangement since its incorporation in October 2005 until they were acquired by Keybase Assets in September 2012. As advised by the Senior Counsel, based on the information and evidence before the Senior Counsel, the two-tier trust arrangements are legal and valid and the risk of the ownership of HDC and HDE being challenged are remote. For details of the two-tier trust arrangements, please refer to the paragraph headed "History, Development and Reorganisation — Our Corporate Development" in this prospectus.

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will be owned by Harvest Land, which is wholly-owned by Mr. Yeung. Harvest

Land is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. In view of the above, Mr. Yeung and Harvest Land will be regarded as a group of Controlling Shareholders within the meaning of the Listing Rules. Mr. Yeung is also the chairman of our Board and an executive Director of our Company. For details, please refer to the section headed "Relationship with our Controlling Shareholders" and the paragraph headed "Directors and senior management — Directors" in this prospectus.

LITIGATION AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of settled legal actions, claims and disputes in which we were the defendant and the nature of which includes (i) wage claims by employees of subcontractors and (ii) employees' compensation claims and personal injuries claims against our Group by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor or as another subcontractor. Our Directors confirmed that, to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, our Group was involved in some litigation and claims including (i) personal injuries claims, (ii) tort claim, (iii) negligence and contractual claim in which we were the plaintiff; and (iv) employees' compensation claim. For details, please refer to the paragraph headed "Business — Litigation and claims" in this prospectus.

LEGAL COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is material or systemic in nature.

ICAC CASE

In early 2014, a former proprietor of an engineering company (the "**Complainant**") who is an independent third party, made several complaints (the "**Complaints**") to the Independent Commission Against Corruption ("**ICAC**"), alleging that our executive Director, Mr. Yeung, among other parties, (1) provided an alleged bribe of HK$150,000 to the Complainant; (2) agreed verbally to provide an alleged bribe of 17.5% of the total contract sum of Project GV (the "**Alleged Reward**") to some relevant parties including the Complainant; and (3) reached a verbal agreement to undertake an alleged bid-rigging in the tendering of Project GV to enable HDC to secure Project GV. The Complainant admitted to the ICAC that at the outset he reported to the ICAC out of personal interest, as he could not recover his portion of the Alleged Reward from a party involved and he wanted to put some pressure on that party to pay by reporting to the ICAC. The Complainant alleged that he later considered that it was conscionable to report the incident to the ICAC as the matter was gaining attention and he regretted what he had done.

Based on the Complaints, the ICAC launched investigations against the parties involved in Project GV, including Mr. Yeung. Mr. Yeung confirmed that he was first approached by the ICAC to assist in the investigation of the alleged bid-rigging and bribery incident in March 2015. The Complainant was subsequently charged with conspiring to offer an advantage to an agent in relation to Project GV and another project based on his admission in the Complaints, and the Complainant pleaded guilty to the charges and was sentenced to 35 months' imprisonment in September 2016. After more than three years of investigation, on 7 August 2018, the ICAC issued a clearance letter informing Mr. Yeung that the investigation against him had been completed and that it was unnecessary to pursue further investigation. Subsequent to the receipt of the clearance letter, Mr. Yeung and our Group have not received any further enquiries from the ICAC regarding the alleged bid rigging activities. As at the Latest Practicable Date, we had not received any claims and potential claims in relation to the alleged bid-rigging incident. Mr. Yeung categorically denied that he had bribed or offered any reward to any person in order for HDC to obtain the contract of Project GV. He also denied the alleged verbal agreement among the parties in relation to the alleged bid-rigging incident. Our Group identified the tender invitation through a local newspaper in September 2012 and was awarded Project GV based on the voting results of the eligible resident voters of the estate of Project GV, in which our Group had no control over the voting results.

Our Legal Counsel is of the view that according to the Independent Commission Against Corruption Ordinance (Cap.204), it is the normal duty of the ICAC to receive and consider complaints alleging corrupt practices and investigate such complaints as it considers practicable. Our Legal Counsel also opined that there is no real prospect of legal or disciplinary proceedings against Mr. Yeung or any of our Directors for the bid-rigging incident.

Our Directors confirmed and the Sponsor, upon conducted the due diligence works, concurred that there is no indication suggesting that Mr. Yeung has bribed or offered any illegal reward to any person in order to secure Project GV and therefore, the allegations do not affect Mr. Yeung's suitability as our Director under Rules 3.08 and 3.09 of the Listing Rules. For details, please refer to the paragraph headed "Business — ICAC Case" in this prospectus.

OFFERING STATISTICS

Number of the Offer Shares:	250,000,000 Shares
Offer Price:	Not more than HK$0.56 per Offer Share and expected not less than HK$0.50 per Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

	Based on an Offer Price of HK$0.50	**Based on an Offer Price of HK$0.56**
	HK$	*HK$*
Market capitalisation (assuming the Over-allotment Option is not exercised)	500 million	560 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share *(Note)*	0.14	0.15

Note: Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$47.8 million, representing approximately 36.1% of the gross proceeds from the Share Offer of approximately HK$132.5 million, assuming the Over-allotment Option is not exercised and an Offer Price of HK$0.53 per Share, being the mid-point of the Offer Price range stated in this prospectus. Out of the amount of approximately HK$47.8 million, approximately HK$26.9 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$20.9 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$20.9 million that shall be charged to profit or loss, approximately HK$13.6 million and HK$4.0 million has been charged for FY2019 and the nine months ended 30 September 2020, respectively. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2020 will be adversely affected by the estimated expenses in relation to the Listing.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received from the Share Offer based on the Offer Price of HK$0.53 per Offer Share, being the mid-point of the indicative Offer Price range, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK$84.7 million. Our Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK$53.7 million, representing approximately 63.4% of the net proceeds from the Share Offer, will be used for upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system (including storage costs, procurement costs for a lorry and salary of driver for delivery of metal scaffolds);

- approximately HK$24.0 million, representing approximately 28.3% of the net proceeds from the Share Offer, will be used for the working capital requirement and the payment of certain upfront costs and expenses, such as cost of site workers (mainly include subcontractors), construction materials, insurance and other site start-up costs, for additional and large-scale projects; and

- approximately HK$7.0 million, representing approximately 8.3% of the net proceeds form the Share Offer, will be used for further strengthening our manpower, including expanding our project management team and recruiting marketing and accounting expertise.

For details, please refer to paragraph headed "Future plans and use of proceeds — Use of proceeds" in this prospectus.

REASONS FOR THE LISTING

We aim to strengthen our market position in the RMAA industry in Hong Kong through the implementation of our business strategies. Our Directors are of the view that the Listing of our Shares on the Stock Exchange will facilitate the implementation of our strategies for the following reasons:

- facilitate the implementation of our corporate strategies in respect of adopting metal scaffolding system;
- funding requirements to finance our projects and capture further business opportunities;
- increasing our competitiveness in the industry; and
- enhancing work morale and facilitating the recruitment and retention of talent.

For details of our reasons for the Listing, please refer to the paragraph headed "Future plans and use of proceeds — Reasons for the Listing" in this prospectus.

DIVIDENDS

During FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, a subsidiary of our Company declared dividends of approximately HK$4.2 million, HK$60.0 million, HK$24.0 million and HK$15.0 million, respectively, to Keybase Assets, which were settled through the current account due from Mr. Yeung. The amount due from Mr. Yeung to our Group of approximately HK$28.8 million as at 31 January 2021 will be settled by setting off against a dividend to be declared before the Listing.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospect, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had 12 on-going project-based contracts and one existing term contract, the aggregate original contract sum of which amounted to approximately HK$541.6 million and HK$61.0 million, respectively. The aggregate contract value to be recognised on or after 1 October 2020 was approximately HK$347.7 million.

Besides, we actively identify the business opportunities in the market and respond to the invitations of tender and quotation. As at the Latest Practicable Date, we have 46 submitted tenders with an aggregate estimated contract sum of approximately HK$1,532.3 million which were undergoing tendering process and still pending result.

Unaudited Preliminary Financial Information for the year ended 31 December 2020

We have prepared unaudited preliminary financial information for our Group as of and for the year ended 31 December 2020, which is set forth in Appendix III to this prospectus.

The following tables set forth our key operational and financial data for two years ended 31 December 2020:

	FY2019 or as at 31 December 2019	**FY2020 or as at 31 December 2020**
	HK$'000	*HK$'000*
		(unaudited)
Result of operations		
Revenue	334,249	314,214
Gross profit	62,910	58,664
Gross profit margin	18.8%	18.7%
Profit before income tax	37,987	46,468
Profit and total comprehensive income for the year	29,644	37,737
Financial position		
Total current assets	173,846	239,461
Total current liabilities	144,003	183,254
Net current assets	29,843	56,207
Net assets	31,378	54,115

Our revenue for FY2020 decreased as compared to FY2019. Such decrease mainly due to the combined effect of (i) the outbreak of COVID-19 in Hong Kong since January 2020. Our Group has implemented certain preventive measures in our construction sites which our Directors consider that such measures reduced the efficiency of our workers and subcontractors and led to the slowing down of the progress of our projects on hand during FY2020; (ii) one of our sizeable projects, namely project TG (MBIS), postponed the commencement date from February 2020 to October 2020; (iii) relatively lower revenue contribution for two of our existing projects which completed during FY2020; and (iv) the increase in revenue contribution for certain projects undertook or commenced during FY2020. The decrease in our gross profit for FY2020 was mainly due to the decrease in our revenue.

Our profit and total comprehensive income for FY2020 increased as compared to FY2019. Such increase was mainly due to the decrease in our non-recurring listing expenses of approximately HK$9.0 million and the decrease in our administrative expenses of approximately HK$2.5 million, which was partially offset by the slight decrease in our revenue and gross profit for FY2020.

Our net assets for FY2020 increased as compared to FY2019. Such increase was mainly due to the increase in our current assets, in particular, the increase in our trade receivables, as a result of our profitable operation in FY2020.

Outbreak of COVID-19

The COVID-19 was first occurred in December 2019. Amid rapid spread of the disease, the World Health Organisation has since declared the outbreak to be a Public Health Emergency of International Concern.

Our Directors confirm that as at the Latest Practicable Date, (i) except for the postponement of the commencement date of Project TG (MBIS) (Project code corresponds with the section headed "Business — Our projects" in this prospectus) from February 2020 to October 2020, which was due to the outbreak of the COVID-19 and the uncertainty of the spread of the disease and such project commenced in mid October 2020 based on the confirmation letter from our customer, our Group had not experienced any material project suspension or cancellation of our on-going projects; (ii) as at the Latest Practicable Date, our Group had not received any notification from any of our suppliers or subcontractors that there would be significant delays and/or cancellations with their supply of materials or services to us as a result of the outbreak of COVID-19; (iii) there had been no material impact on labour supply to the Group caused by the outbreak of COVID-19 as we are not reliant on any single subcontractor; and (iv) we did not record any employees/workers failed to report duty due to the infection of COVID-19. Please refer to the section headed "Business — Occupational health and safety — Hygienic working environment" in this prospectus for details of the precautionary measures taken by our Group in view of the outbreak of COVID-19 in Hong Kong.

Our Directors also confirm that our Company will not use the net proceeds from the Share Offer amid the outbreak of COVID-19 in Hong Kong for other purposes other than the expansion plan as stated in the section headed "Future plans and use of proceeds" in this prospectus.

Due to the fact that we normally engage subcontractors to carry out the site works under close supervision and management by our project management team, we are not required to retain a certain amount of site workers to incur additional operating costs. Although the outbreak of the COVID-19 in Hong Kong since January 2020 had slowed down of the progress of our projects on hand during the nine months ended September 2020 as mentioned above, we assume that this pandemic will have no material impact from the second half of 2020. According to the latest discussions between our major customers and us, we do not expect that the outbreak of COVID-19 will materially affect the progress of our on-going projects based on the latest market conditions. In addition, there had been no material impact to our Group on labour or material supply as a result of outbreak of COVID-19. Therefore, our Directors confirm that as at the Latest Practicable Date, our Group was generally able to discharge our obligations under the existing contracts.

According to the F&S Report, the construction industry in Hong Kong, including the RMAA works market and scaffolding market, has been negatively impacted by the outbreak of COVID-19 since January 2020. As most of the primary construction materials, such as cement, wall tiles, paint, uPVC pipes, bamboo and metal scaffolds, are imported from the PRC, the production and logistics of these construction materials have been temporarily disrupted as enterprises were forced to shut down during the early stages so as to contain the further spread of COVID-19 in the PRC. Some public and private construction sites in Hong Kong were closed temporarily in February 2020 for two weeks or longer to prevent construction workers from being infected by the contagious disease. Furthermore, subsequent to the trade war between the United States and the PRC, as well as local social incidents occurred in 2019, the consumer sentiment was further dampened by the global pandemic of COVID-19 and the subdued economic prospect in Hong Kong. Nevertheless, in light of (i) the number of confirmed cases of COVID-19 in Hong Kong is still relatively low when compared to other regions while the number of recovery cases has been increasing, (ii) the Hong Kong government has launched several financial measures as outlined in the Anti-epidemic Fund to relieve the financial burdens of business enterprises and individuals to support domestic economy, particularly two rounds of subsidy schemes, namely the Construction Industry "Anti-epidemic Fund", for eligible engineering consultants, contractors and registered construction workers in an aggregate amount of approximately HK$5 billion benefiting over 530,000 workers and 30,000 companies in the construction industry, and (iii) the increasing number of ageing buildings and the rising demand for its associated RMAA services for dilapidated urban areas. Save for the direct impact due to the temporarily suspension of construction sites and disruption to construction materials supply during the first half of 2020 as disclosed above, the subsequent resurgence of COVID-19 cases during the fourth quarter of 2020 in Hong Kong had no material impact on the RMAA works market and scaffolding market in Hong Kong given that (i) the supply chain of major construction materials imported from the PRC is not disrupted, (ii) there is no specific restriction on operation of construction sites and workplace except those reported with confirmed COVID-19 cases, and (iii) the labour deployment is not affected during the fourth quarter of 2020. It is expected that the RMAA works market and scaffolding market will experience a slower growth rate in 2020 and will regain its momentum once the outbreak of COVID-19 is effectively controlled in the long-run. In addition, the recent incidents of COVID-19 spreading through drainage system in buildings also contribute to growing public awareness towards the inspection, erection, repair, alteration and removal of old drainage pipes in residential buildings, which will drive the market demand for RMAA works.

Hypothetical contingency plan

Our Group has prepared the following hypothetical contingency plan to the extreme situation if the outbreak of COVID-19 and/or potential recession has become severe in Hong Kong which results in temporary suspension of RMAA works at our Group's construction sites.

Key assumptions are set out below:

(i) all construction sites are temporary suspended and our Group will not generate any income from all on-going projects;

(ii) all cash receipts from customers and payments to suppliers upon the temporary suspension will be settled, and we have no movement in the amounts of trade receivables and trade payables thereafter and the settlement practice of our trade receivables are assumed to be the same as the average of our trade receivables turnover days for the five years ended 31 December 2020 of approximately 137.9 days and the settlement of our trade payable are assumed to be settled when due;

(iii) the expansion plan as stated in the section headed "Future plans and use of proceeds" is delayed and all the use of proceed will be delayed accordingly;

(iv) save as staff costs incurred at head office, no other staff costs incurred for all construction projects;

(v) full time staff, including operational and administrative staff, are encouraged to apply unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred;

(vi) all necessary routine expenditure and payments, such as staff costs at head office and interest expenses are paid on a monthly basis;

(vii) all executive Directors undertake to delay receiving directors' remuneration;

(viii) minimal operating and administrative costs will be incurred to maintain our Group's operation at minimum level (such as rental cost for our office, utility expenses, legal and professional fee);

(ix) save as existing borrowings, no further internal or external financing from shareholders or financial institutions; and

(x) save as disclosed in this prospectus, no further dividend to be declared and paid.

As a result of temporary suspension of RMAA works at our Group's construction sites, our expansion plan as stated in the section headed "Future plans and use of proceeds" in this prospectus will be delayed. Taking into account our cash and bank balances of approximately HK$4.2 million as at 30 September 2020 and our additional net cash inflow of approximately HK$40.3 million to be generated which represents the difference of our trade receivables and our trade payables as at 30 September 2020; or be more financially prudent and simply based on our net current assets of approximately HK$47.0 million as at 30 September 2020, our financial resources available are able to fulfil our continued commitment in relation to amongst others, staff costs at our head office, rental cost for our office, other operating and administrative costs to maintain at minimum level, interests on bank borrowings and repayment of borrowings according to the terms of existing facilities letters with bank under such hypothetical for over 12 months.

The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development; therefore it is a possibility that such impact to our Group may be out of our Director's control and beyond our knowledge.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2020 and there had been no events since 30 September 2020 which would materially affect the information shown in our consolidated financial information included in the Accountants' Report.

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

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s), or where the context so requires, any of them, relating to the Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on 15 March 2021, a summary of which is set out in Appendix IV to this prospectus, as amended from time to time
"associate(s)"	has the meaning ascribed thereto it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"business day(s)"	any day (other than a Saturday, and Sunday or public holidays 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
"Capitalisation Issue"	the issue of 749,999,900 Shares to be made upon the capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further information about our Group — 5. Written resolutions of our sole Shareholder passed on 15 March 2021" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participants"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"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 (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Unity Enterprise Holdings Limited (盈滙企業控股有限金司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 13 March 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Harvest Land and Mr. Yeung
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
"Deed of Indemnity"	the deed of indemnity dated 18 March 2021 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus
"Director(s)"	the director(s) of our Company

"Extreme Conditions"	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major land slides or large-scale power outage after super typhoons as announced by the Hong Kong Government
"F&S" or "Frost & Sullivan"	Frost & Sullivan International Limited, an independent market research company
"F&S Report"	An industry report prepared by F&S and commissioned by our Company, an extract of which is set out in the section headed "Industry overview" in this prospectus
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"Group", "we, "us" or "our"	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 (as the case may be)
"Harvest Land"	Harvest Land Company Limited (富澤企業控股有限公司), a company incorporated in the BVI with limited liability on 20 February 2019 and one of the Controlling Shareholders
"HDC"	Hong Dau Construction Company Limited (香島建築有限公司), a company incorporated in Hong Kong with limited liability on 8 December 1981 and an indirect wholly-owned subsidiary of our Company
"HDE"	Hong Dau Construction & Engineering Co. Limited (香島建築工程有限公司), a company incorporated in Hong Kong with limited liability on 15 October 2005 and an indirect wholly-owned subsidiary of our Company
"Hong Kong Government" or "Government"	the government of Hong Kong
"HKD", "Hong Kong dollars" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"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
"Joint Bookrunners"	Zhong Jia Securities Limited and MTF Securities Limited
"Joint Lead Managers"	Sinomax Securities Limited, Vinco Capital Limited, ChaoShang Securities Limited, Get Nice Securities Limited and Head & Shoulders Securities Limited
"Keybase Assets"	Keybase Assets Limited, a company incorporated in the BVI with limited liability on 5 July 2012
"Latest Practicable Date"	10 March 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Legal Counsel"	Ms. Queenie W.S. Ng, barrister-at-law of Hong Kong, who is an independent third party
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, 31 March 2021, on which dealings in the Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on 15 March 2021 and as amended from time to time

"Mr. Chan"	Mr. Chan Leung (陳亮先生), an executive Director and the chief executive officer of our Group
"Mr. Yeung"	Mr. Yeung Wing Sun (楊永燊先生) (formerly known as Mr. Yeung Wing Shun (楊永迅先生)), an executive Director, the chairman of the Board and one of our Controlling Shareholders
"Mrs. Yeung"	Ms. Yu So Yin, the spouse of Mr. Yeung
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer, to be determined in the manner further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Offer Share(s)"	the Public Offer Shares and the Placing Shares
"Over-allotment Option"	the option expected to be granted by us to the Placing Underwriters under the Placing Underwriting Agreement, exercisable by the Joint Bookrunners (on behalf of the Placing Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 37,500,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Share Offer) at the Offer Price, to, among other things, cover over-allocations in the Placing, if any, as further described in "Structure and conditions of the Share Offer" in this prospectus
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set out in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 225,000,000 Shares being initially offered by our Company for subscription pursuant to the Placing, subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing

"Placing Underwriting Agreement"	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about the Price Determination Date among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan region
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the price determination agreement to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date expected to be on Wednesday, 24 March 2021, and in any event no later than Thursday, 25 March 2021, on which the final Offer Price is determined for the purposes of the Share Offer
"Public Offer"	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 25,000,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as descried in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set out in the paragraph headed ''Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 18 March 2021 relating to the Public Offer entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed "History, development and Reorganisation — Reorganisation" in this prospectus
"Safety Adviser"	Mr. Au Chung Yuen, a safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation and a safety officer registered under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation
"Senior Counsel"	Mr. Lawrence Lok S.C., barrister-at-law and senior counsel of Hong Kong, who is an independent third party
"SFC"	the Securities and Futures Commission of Hong Kong
"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)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 15 March 2021, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus
"Sponsor"	Grande Capital Limited, being the sponsor for the Listing and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
"Stabilising Managers"	Zhong Jia Securities Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder"	has the meaning ascribed thereto in the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this prospectus
"Takeovers Code"	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the period comprising FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020
"Underwriters"	the underwriters of the Public Offer Underwriters and the Placing Underwriters, details to which are set out in the section headed "Underwriting" in this prospectus
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S."	the United States of America
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States of America
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"sq.ft."	square foot
"sq.m."	square metre
"%"	per cent

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"Authorised Signatory" or "AS"	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
"Builders' Lifts and Tower Working Platforms (Safety) Ordinance"	the Builders' Lifts and Tower Working Platforms (Safety) Ordinance (Chapter 470 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Building Authority"	the Director of Buildings of the Buildings Department
"Buildings Department"	The Buildings Department of the Hong Kong Government
"Buildings Ordinance"	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Competition Ordinance"	Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Construction Industry Council" or "CIC"	Hong Kong Construction Industry Council
"Construction Workers Registration Ordinance"	Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"CSSR"	the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance
"Electricity (Registration) Regulations"	Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Employees' Compensation Ordinance"	Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Employment Ordinance"	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	The Environmental Protection Department of the Hong Kong Government

"Factories and Industrial Undertakings Ordinance"	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Factories and Industrial Undertakings (Safety Management) Regulation"	Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation"	Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation (Chapter 59Z of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Housing Authority"	Hong Kong Housing Authority
"Inland Revenue Ordinance"	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management system requirements published by ISO
"ISO 14001"	environmental management system requirements published by ISO
"Labour Department"	the Labour Department of the Hong Kong Government
"main contractor"	in respect of a construction project, a contractor appointed by the project employer or its construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
"Mandatory Provident Fund Schemes Ordinance"	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Occupational Safety and Health Ordinance"	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"OHSAS"	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
"OHSAS 18001"	Occupational Health and Safety Assessment Series., and internationally applied standard for occupational health and safety management systems. It exists to help all kinds of organisations put in place demonstrably sound occupational health and safety performance
"Registered Electrical Contractor"	an electrical contractor registered under section 33 of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)
"Registered General Building Contractor" or "RGBC"	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
"Registered Specialist Contractor" or "RSC"	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
"RMAA"	repair, maintenance, alteration and addition works
"schedule of rates"	a schedule containing items which are relevant to the contract works with the applicable unit rate to be charged against each item
"subcontractor"	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
"Technical Director(s)" or "TD"	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
"Technically competent person T1" or "TCP T1"	a certificate or diploma holder with minimum total relevant working experience of 2 years to the satisfaction of the Building Authority
"Technically competent person T2" to "TCP T2"	a higher diploma or higher certificate holder with minimum total relevant working experience of 3 years to the satisfaction of the Building Authority

"Technically competent person T3" or "TCP T3"	a higher certificate or higher diploma holder with minimum total relevant working experience of 5 years, or a degree holder with minimum total relevant working experience of 2 years to the satisfaction of the Building Authority
"uPVC"	unplasticised polyvinyl chloride, is a low-maintenance material often used in building industry

This prospectus 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 United States, the PRC and the world in general.

These statements are based on several 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'' in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove 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 prospectus are qualified by reference to the cautionary statements as set out in this section.

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

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

A number of risks and uncertainties are inherent in our operations. We have categorised these risks and uncertainties into those relating to (i) our business, (ii) the industry, (iii) Hong Kong, (iv) the Share Offer and (v) this prospectus. Investors should carefully consider the following information in conjunction with the other information contained in this prospectus.

RISKS RELATING TO OUR BUSINESS

We are reliant on the availability of RMAA projects in Hong Kong

Our revenue is affected by the number and availability of RMAA projects in Hong Kong, which in turn is affected by various factors, including but not limited to the changes in government policies relating to the RMAA industry in Hong Kong, and the amount of investment in improvement of existing buildings. In particular, during the Track Record Period, all of our revenue was contributed from RMAA projects in Hong Kong.

A downturn in construction industry may result in a significant decrease in the number of RMAA works available in Hong Kong in general. For instance, adverse government policies on the RMAA industry in Hong Kong may lead to a significant decline in the demand for RMAA works of existing buildings.

There is no assurance that the number of RMAA projects will not decrease in the future. In the event that the availability of RMAA works decreases as a result of the decrease in the number of RMAA projects in Hong Kong, our businesses and results of operations may be adversely and materially affected.

A significant portion of our revenue during the Track Record Period was attributable to the contracts and work orders awarded by a limited number of customers and any significant decrease in the revenue contributed from our major customers would materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our five largest customers for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020 accounted for approximately 76.8%, 82.5%, 84.4%, 82.9% and 87.7% of our total revenue respectively. As most of our contracts or work orders awarded are on a project-by-project basis, there is a risk that our Group may not be awarded with new contracts or work orders by our major customers upon the completion of the current projects. We do not have any long-term commitment with our major customers and our major customers have no obligation to engage us any new or subsequent projects to us, if any. In the event that our Group is unable to secure new contracts or work orders with our major customers and is also unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our Group's financial condition and operating results would be materially and adversely affected.

We derive our past revenue and profit margin from projects of a non-recurrent nature, and there is no guarantee that our customers will provide us with new business or that we will secure new contracts or work orders

During the Track Record Period, our revenue derived from contracts or work orders were mainly contract-based and on a non-recurring basis. Our projects of different sizes come from (i) open tenders published in local newspaper or website and (ii) invitations to quote or tender from customers or their consultants. Upon our submission of tender or quotation documents, it is subject to customers' decision as to whether we can secure the engagement. As such, we still need to undergo competitive tender or submission of quotation process for every new contracts or work orders. There are a number of factors in determining the success rate on project tendering, such as our tender strategy, the number of tenders in each year and the tenders submitted by our Group's competitors for each project. During the Track Record Period, our Group's success rate on project tendering and quotation was approximately 19.7%, 19.8%, 21.3%, 23.5% and 29.0% respectively. We cannot assure that our existing customers or potential customers will invite us to participate in their tendering processes or submit quotations, or that we will continue to secure new projects in the future. Accordingly, the number and scale of contracts or work orders, the amount of revenue driven from such engagements may vary significantly from period to period, Thus, it may be difficult to forecast the volume of future business.

Hence, there is no assurance that our Group will be able to maintain or increase our success rate of attaining the engagement for projects tendered and quoted in the future. Upon the completion of our contracts or work orders on hand, in the event that our Group is unable to receive new tender or quotation invitations or to be awarded new contracts or work orders or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, our business in general, our business operations and financial results and prospects of our Group would be adversely and materially affected.

We make estimation of the project price based on our estimated time and costs in our tenders and any failure to accurately estimate the time and costs involved and/or delay in completion of any project would lead to cost overruns or even result in losses and adversely affecting our operations and financial results

We determine the price of our quotation or tender based on our estimated cost plus a certain mark-up margin. Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price based on the available information provided to us by potential customers, taking into account, among others, the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with customers and prevailing market conditions.

Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us will match our initial estimate. As our contracts or work orders with customers during the Track Record Period were generally fixed price contracts or term contracts or work orders for which our unit prices stated in the schedule of rates are fixed and without any price adjustment clause, once we agree on the quotation or tender price with our customer, we may bear any additional costs incurred. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected.

In addition, the contracts or work orders we entered into during the Track Record Period normally contain specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay our customers liquidated damages if we or our subcontractors do not meet the schedules). To the extent that our customers do not grant us time extension, our Group may be subject to liquidated damages due to delay in completing the project or schedule requirements of our contracts, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete. This may reduce or diminish our expected profit and cash inflow from the relevant projects as we are unable to maintain our costs within our original estimations. Any material inaccurate estimation in the time and costs involved in a project would give rise to delays in completion of works and/or cost overruns, which in turn would materially and adversely affect our Group's financial condition, profitability and liquidity.

We heavily rely on subcontractors to help completing our projects

We engage subcontractors to perform all site works under different projects. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's subcontracting fees amounted to approximately HK$152.3 million, HK$194.8 million, HK$246.5 million, HK$266.8 million and HK$188.8 million, representing approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our Group's total cost of services, respectively. Other than any significant increase in the subcontracting fees that may impact on our profitability, we also expose to other legal liabilities if we are not able to monitor the performance of our subcontractors as efficiently as communed to our own staff, or if our subcontractors violate any laws, rules or regulations in relation to environmental protection, and health and safety matters regulations, which may affect their renewal of relevant registrations or licences or may even lead to revocation of their registrations or licences. We may also be subject, as the primary obligor, to prosecutions by relevant authorities. For instance, we will be subject to claims for losses and damages, if our subcontractors cause any personal injuries or death of our subcontractors' employees or damage to the properties of any third party.

In addition, the subcontracting arrangement also exposes us to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. If this happens to our subcontractors in our projects, we will have to appoint replacement subcontractor(s) and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. In addition, our inability to hire qualified subcontractors may hinder our ability to complete a project successfully.

These events may impact upon our profitability, financial results and reputation, as well as result in litigation or damage claims. Moreover, pursuant to section 43C of the Employment Ordinance, (i) a main contractor is, or (ii) a main contractor and every superior subcontractor is or are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor for carrying out any work which the subcontractor has been contracted to perform. If such wages are not paid within the period specified in the Employment Ordinance and we are liable to pay the wages in lieu of our subcontractors, our operations and financial results would be adversely affected if any of our subcontractors violates its obligations in relation to any laws, rules or regulations. For further details, please refer to the paragraph headed "Regulatory overview — Laws and regulations in relation to labour, health and safety" in this prospectus.

We rely on stable labour supply to carry out our works. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

We rely on a stable workforce, either directly employed by us or our subcontractors, to carry out our RMAA works. In particular, subcontractors with various skills and expertise are required for each project to complete the works. Industrial actions of any one discipline may disrupt the progress of our RMAA works. According to the F&S Report, the RMAA industry in Hong Kong is suffering from the challenges of labour shortage, which is exacerbated by the ageing workforce and lack of skilled talent. Despite the increase in the average wage of construction workers at a CAGR of approximately 4.2% from 2014 to 2019, the construction labour shortage situation is still severe.

There is no assurance that industrial actions or strikes will not be launched or there will be sufficient supply of labour in the future. Such industrial actions, strikes or material shortage of labour may adversely impact our business performance, profitability and results of operation. Moreover, there is no assurance that the supply of labour and average labour costs will be stable at all times. Labour intensive projects are more susceptible to labour shortages. Our subcontracting fees also include the labour costs of our subcontractors. When there is a significant increase in the cost of labour and we have to retain our labour (or our subcontractors retain their labour) by increasing their wages, our staff costs and/or subcontracting fees will increase and as a result, our profitability would be adversely affected. On the other hand, if we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we will not be able to complete our projects on schedule and will be subject to liquidated damages claims from our customers and/or incur losses. As such, our customers will take such delay into consideration when they consider our future tender submissions, and thus will have an adverse impact on our chances of winning future tenders.

We need to maintain necessary qualification and registration for the operation of our business

We are required to obtain and maintain certain registrations and/or certificates in order to conduct our business. For further details, please refer to the paragraph headed "Business — Our licences and qualifications" in this prospectus. To maintain such qualification and registration, we must comply with the restrictions and conditions imposed by the Buildings Department. For instance, contractors registered with the Buildings Department are subject to a regulatory regime which is put in place to ensure contractors' standards of financial capability, expertise, management and safety. For further details, please see the paragraph headed "Regulatory overview — Laws and regulations in relation to the contractor licensing regime and operation" in this prospectus.

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure that all the required qualifications and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations will be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of their original terms will be delayed or refused. In such event, our capability to undertake relevant works would be directly impacted, and our turnover and profits would be adversely affected.

Any failure or perceived failure to deal with customer complaints or adverse publicity relating to tender-rigging could materially and adversely affect our reputation, business and results of operations

Our Directors believe that our reputation has built up our customers' confidence, our ability to maintain and continue to promote our brand is critical to retain and expand our base of customers, suppliers and subcontractors. However, our reputation can be adversely affected by negative publicity or news reports, whether accurate or not, regarding tender-rigging, safety, injury or government or industry findings concerning our Group and Directors. Any such negative publicity could materially harm our business and results of operations and result in damage to our reputation.

Significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could cause customers to lose confidence in us and our reputation. As a result, we may experience significant decline in our revenues and customer traffic from which we may not be able to recover.

Our business strategies include capital investment which would lead to increase depreciation charges that would reduce our profitability

Our business strategies include the purchase of metal scaffolds. The total investment costs are estimated to be approximately HK$56.4 million (excluding storage costs, procurement costs of a lorry and salary of driver) and as these investments are capital expenditures, there would be an increase in our depreciation charges. It is estimated that the additional annual depreciation charges are expected to be approximately HK$5.6 million for each of the coming 10 years. Our planned investments will increase our fixed 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 positions and prospect may be adversely affected.

Time required to award and complete renovation work would be lengthened in the future

During the Track Record Period, our customer base included (i) contractors and incorporated owners of private residential buildings; (ii) contractors and corporate customers of private commercial and industrial buildings; and (iii) institutional organisation. Recently, news about the collusion between renovation and maintenance contractors and incorporated owners in residential renovation projects which may lead to the time required to award renovation and maintenance works to contractors being lengthened, due to the need for incorporated owners to properly explain the process to individual building owners and to answer their questions. Also, there is a possibility that such a renovation and maintenance contract would be rescinded due to an improper contract awarding procedure and/or legal challenge of awarded contract by individual building owner(s).

We are exposed to our customers' credit risks. Our cash flow may fluctuate and our liquidity position would be adversely affected if our customers fail to make payment on time or in full

Our Group generally pays the start-up costs, such as subcontracting fees and costs of materials and other set up costs in the early stage of a project before we received any payment from our customers. Our projects normally require our customers to make progress payments with reference to the value of works done without any advance payment. Please refer to the paragraph headed "Business — Our customers — Principal terms of engagement" in this prospectus for further details. Therefore, we will normally incur net cash outflows at an early stage of carrying out our projects and our cash flows of a particular project will turn from net cash outflows at the early stage into accumulative net cash inflow gradually as the works progress. If we take up a large number of significant projects requiring substantial costs at a particular period of time, there is no assurance that we can maintain sufficient control over our cash flow and we may not have sufficient and timely cash inflow from other projects to cover.

Our trade receivables amounted to approximately HK$93.7 million, HK$128.7 million, HK$109.2 million, HK$110.1 million and HK$150.1 million as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020 respectively. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our trade receivables turnover days were approximately 97.5 days, 176.0 days, 143.8 days, 119.8 days and 150.3 days respectively. Progress payments will not always be paid to us on time or in full. We may experience significant cash flow mismatch when there is a significant timing difference between making payments to our suppliers and subcontractors and receiving payments from customers. In the event of defaulting payments by any of our major customers, we may be unable to recover a significant amount of the receivables. In addition, if there is any difficulty in collecting a substantial portion of our trade receivables or any material mismatch in time between receipt of progress payments from our customers and payment of initial start-up costs and we fail to manage the fluctuation of our cash flows, our cash flows, business operations and financial condition would be materially and adversely affected.

If we are unable to receive progress payments on time and in full or recover our contract assets, or if retention money is not fully released to us after expiry of the defects liability period, our liquidity and financial position may be materially and adversely affected

We normally receive progress payment from our customers. Progress payment is generally made monthly by reference to the progress of works performed during the month. A portion of contract value (which generally is up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum) is usually withheld by our customers as retention money. As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020, we recorded retention receivables of approximately HK$24.3 million, HK$32.8 million, HK$17.0 million, HK$25.5 million and HK$33.8 million, respectively. However, there is no assurance that our retention money will be released by our customers to us on a timely manner and in full.

Contract asset is recognised when (i) our Group completes the RMAA works under such service contracts but yet certified by authorised persons or external consultants appointed by customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to our customer. Our Group recorded contract assets of approximately HK$25.4 million, HK$36.7 million, HK$17.0 million, HK$25.5 million and HK$33.8 million as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed ''Financial information — Discussion of selected statement of financial position items — Contract assets'' in this prospectus.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

The price of our variation works may not be clearly determined

During the course of implementation of a project, our customers may give us ''variation orders'' and request us to change or modify the scope of works or to perform works beyond the scope of the original contracts or work orders from time to time. The terms of these variation orders have to be agreed upon between our Group and the customer's authorised representatives based on, among others, the general principle that if any additional works are to be carried out in the same or similar nature to (and executed under the same or similar conditions and circumstances) any item of work already set out and priced in the original contract, these additional works shall be valued at the same rate set out in the original contract.

However, if the additional works are not the same or similar in the manner set out above or the items of the additional works are not included in the original contracts or work orders and our Group and the customers and/or their authorised representatives fail to reach an agreement on the rate for carrying out the variation works, the customers and/or their authorised representatives would fix the rate that they unilaterally think reasonable. If our Group disagrees on such rates, contractual disputes with our customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

Our term contracts do not have fixed or committed contract value or guaranteed business volume and our customer may not place any actual work orders resulting in the total contract sum of such contracts being reduced, which would adversely affect our operations and financial results

During the Track Record Period, we have undertaken 11 term contracts that contributed revenue to our Group, which were all awarded by Customer E, with the aggregate original contract sum approximately HK$185.8 million. We were responsible for the provision of general building repair for specified properties with a fixed term of three years based on the requests by Customer E on an order-by-order basis.

In the aforesaid term contracts entered into between Customer E and us, there are no fixed or committed contract value or guaranteed business volume. Our term contracts also contain estimated contract sum based on the agreed schedules of rates stated in the term contracts and the estimated quantities of work items. The actual amount and nature of works required to be performed by our Group are subject to the customers' work orders from time to time during the contract period, which are charged according to the agreed schedules of rates stated in the term contracts.

There is no assurance that Customer E will place work orders to us based on the estimated contract sum stated in the term contracts in the future. If Customer E does not place work order in a material manner, resulting in a significant reduction of the total contract sum of those particular projects, our operations and financial results would be materially and adversely affected.

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

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies and future plans, including continuing to expand our scope of services, competing for sizeable RMAA works contracts, improving our margins and profitability, capturing the growing superstructure building and RMAA works. The successful implementation of our business strategies and future plans as described in the ''Future plans and use of proceeds'' in this prospectus are based on current estimates and assumptions and depend on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as the general market conditions in Hong Kong, the change in the Government's policy or regulatory regime of the RMAA industry in Hong Kong.

However, our business strategies and future plans may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that our business strategies and future plans will be implemented successfully. Moreover, there is no assurance that our Group will be able to successfully maintain or increase our market share, grow our business or expand our services and customer base successfully after deploying our Group's management and financial resources. Any failure to maintain our current market position or implement our business strategies and future plans would materially and adversely affect our business, financial condition and the results of operations.

Our Group is dependent on key personnel and our success and growth depends on our ability to attract and retain our management personnel and technical staff

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of our executive Director and our senior management team and our capability to identify, hire and retain suitable skilled and qualified employees, including management personnel with the necessary industry expertise as described in the section headed ''Directors and senior management'' in this prospectus. In addition, our key personnel as well as their management experience in the RMAA industry in Hong Kong are crucial to our operation and financial results. Although we have entered into a service agreement with each of our executive Directors and senior management, should any of our executive Directors and senior management 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 would be an adverse impact on our business operations and profitability.

Adverse determinations by tax authority in Hong Kong may materially and adversely affect our results of operations

The tax treatment or arrangement in relation to tax deductible items may be subject to the interpretation by tax authorities. There is no assurance that the Hong Kong tax authority would not challenge the appropriateness of such kind of transactions or arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If the Hong

Kong tax authority later finds that the tax deductible item and the terms that we have applied are not appropriate, such authority may require our Company or our subsidiary to re-assess or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for us which may materially and adversely affect our results of operations.

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

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our gross profit amounted to approximately HK$25.0 million, HK$32.2 million, HK$52.7 million, HK$62.9 million and HK$44.4 million, respectively; while our gross profit margin was approximately 13.4%, 14.0%, 17.5%, 18.8% and 18.7%, 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 results in the future will remain at a level comparable to those recorded during the Track Record Period or will not decline and that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance since our financial condition and prospects would be materially and adversely affected by any future decrease in our profit margin.

Our operations would be affected by adverse weather conditions and are subject to certain construction risks

The actual time involved in completing a project undertaken by us may be extended due to the occurrence of certain construction risks such as accidents, fire, suspension of water and electricity supplies, shortage of materials and labour, and other unforeseen problems. In particular, our projects are undertaken outdoor and therefore work progress may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing the projects on schedule. If adverse weather conditions persist or natural disaster occurs, we may be prevented from performing works at our sites, and thereby fail to meet specified time schedule. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results.

Furthermore, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome, severe acute respiratory syndrome, Ebola virus disease and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, business operations, financial results and growth potentials would be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employees.

Our insurance may not fully cover all the potential losses arising from claims and litigation and our insurance premium may increase from time to time

For projects where our Group acts as the main contractor, we take out employees' compensation insurance and contractors' all risks insurance which cover our Group's and our subcontractors' employees, and the works performed by us and them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees' compensation insurance and contractors' all risks insurance taken out by the project's main contractor.

Please refer to the paragraph headed "Business — Our insurance" in this prospectus for further details. Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business will be fully covered by the insurance taken out by us. To the extent that our insurance does not cover such losses, damage or liabilities, the resulting payment to cover such losses, damage or liabilities may have a material adversely effect on our business operations and financial conditions.

We may face warranty claims by our customers

It is common industry practice that a defects liability period is given by our Group to our customers during which we are responsible for rectifying all our works defects. The length of the defects liability period depends on the works' nature, for instance, we generally give a defects liability period of 12 months for our works. During the Track Record Period, no material claims were recognised. If there is a claim arising during the defects liability period, we may need to spend a significant amount of resources to rectify the defects. Our business operations and financial condition would be materially and adversely impacted.

Dividends declared in the past may not be indicative of our future dividend

In FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group has declared dividends of approximately HK$4.2 million, HK$60.0 million, HK$24.0 million and HK$15.0 million respectively to the shareholders which were settled through the current account due from Mr. Yeung. The amount due from Mr. Yeung to our Group of approximately HK$28.8 million as at 31 January 2021 will be settled by setting off against a dividend to be declared before the Listing. The dividend distribution recorded in the past may not be used as a reference or basis to determine the level of dividends that may be declared and paid by us to the shareholders in the future after Listing. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition, future prospects and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. Please refer to the section headed "Financial information — Dividend" in this prospectus for further details. We cannot assure investors when or whether dividends would be paid in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The recent outbreak of COVID-19 worldwide may result in the slowdown of global economy

The recent outbreak of COVID-19 in Hong Kong since January 2020 has increased uncertainties to the economy in Hong Kong in 2020. It may affect our industry and cause temporary suspension of projects and shortage of labour and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our Directors recognise that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence RMAA projects, thus delaying or reducing the number of new projects to be awarded to us.

Health safety risks during the outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, delaying the work progress of our projects as a result. Our operations could be disrupted if any of our employees or employees of our subcontractors were suspected of contracting or contracted an epidemic disease, since this could require us and our subcontractors to quarantine some or all of these employees and disinfect our works sites and facilities used for our operations. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered and/or impacted to our long term business relationships due to our delay or default.

In addition, our revenue and profitability could also be reduced to an extent if COVID-19 or any natural disaster, health epidemic or other virus outbreak harms the overall economy in Hong Kong. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

We are subject to environmental liability

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all RMAA projects in Hong Kong. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

The economy of Hong Kong may adversely affect the market condition and trends in the RMAA industry in Hong Kong and in turn affect our performance and financial condition

Our performance and financial conditions are dependent on the state of the economy in Hong Kong as all of our operations and management were located in Hong Kong during the Track Record Period. During the Track Record Period, all of our revenue were derived in Hong Kong.

The future growth and level of profitability of the RMAA industry in Hong Kong are likely to depend primarily upon the continued availability of major RMAA projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, for example, the Hong Kong Government's spending patterns on the RMAA industry in Hong Kong, the investment of property developers and land owners, the general conditions and prospects of Hong Kong's economy, cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects.

As a result, there is no assurance that the number of RMAA projects in Hong Kong will maintain at a desired level or continue the rising trend in the future. In case of a decrease in the demand for RMAA works in Hong Kong in any circumstances, our business operations and profitability would probably be adversely affected.

We operate in a highly competitive market

The industry we operate is highly competitive, and there are a significant number of industry players that provide works services similar to ours. According to the F&S Report, there were more than 6,000 registered minor works contractors engaged in alteration and addition works, repair works, drainage works and demolition works, etc., according to the Building Department. We have a large number of competitors which offer similar services as ours in Hong Kong. Please refer to the paragraph headed "Industry overview — Competitive landscape and entry barriers of RMAA works industry in Hong Kong" in this prospectus for further details. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, more established relationship with property developer, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the various licences and qualifications required.

To compete with the large number of competitors, we may face significant downward pricing pressure and thereby reducing our profit margin. We cannot assure you that our profit margin will not decline as a result of the price pressure. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we will maintain our market position in the industry. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services would not be attractive to customers and our business would be materially and adversely affected. Our competitors would also adopt aggressive pricing policies or develop relationships with our customers in a manner that would significantly harm our ability to secure contracts.

Personal injuries, property damages or fatal accidents would occur at work sites

Whilst we closely supervise and monitor our employees in the implementation of all such safety measures and procedures during the execution of works. However, we cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Personal injuries, property damage or fatal accidents will result if any such employees fail to follow the safety measures at our project sites. Any personal injuries and/or fatal accidents to the employees of our Group or our subcontractors would lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was subject to certain claims, which were still on-going. For further details regarding these claims, please refer to the paragraph headed "Business — Litigation and claims" in this prospectus.

Such claims will expose us to the risk of bearing higher insurance premiums in the future. They would also harm the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation would be adversely and materially affected.

RISKS RELATING TO HONG KONG

Conducting business in Hong Kong involves certain political risks not typically associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in Hong Kong governmental policies, changes in Hong Kong laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our Group's operations in Hong Kong are exposed to the risk of changes in laws and policies that govern operations of Hong Kong based companies. In the event that there is a downturn in the economy of Hong Kong, any recurrence of recession in Hong Kong, deflation, any changes in Hong Kong's currency policy or there are changes in laws and policies governing our Group's business, our Group's business operations and hence financial results and financial position would be adversely and materially affected.

RISKS RELATING TO SHARE OFFER

There has not been any prior public market for our Shares and an active trading market may not develop

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for our Shares. The Offer Price was the result of negotiation between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may not be indicative of the price at which our Shares will be traded following completion of the Share Offer. In addition, we cannot assure you that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of our Shares will not fall below the Offer Price.

Shareholders' interest in the Company's share capital may be diluted in the future

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

In addition, we may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and price of our Shares may fluctuate. Further, any disposal of a substantial number of Shares by our Controlling Shareholders in the public market may adversely affect market price of our Shares

The trading volume and price of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation may cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Further, we cannot assure you that our Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders on the market price of the Shares. Sale of our Shares by any of our Controlling Shareholders may materially and adversely affect the prevailing market price of our Shares.

Difficulties in enforcing Shareholder rights due to difference in jurisdictions

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Act and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "3. Cayman Islands Company Law — (f) Protection of minorities and shareholders' suits" in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain facts, statistics and data contained in this prospectus have not been independently verified and may not be reliable

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports

There may be press and media coverage regarding our Group or the Share Offer, which may include certain events, financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, our Group disclaims responsibility for them. Accordingly, 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 financial, operational and other information included in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are ''forward-looking'' and uses forward-looking terminologies such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''may'', ''ought to'', ''should'' or ''will'' or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are beyond our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER AND UNDERWRITING

This prospectus is published solely in connection with the Share Offer. Details of the terms of the Share Offer are described in the section headed ''Structure and conditions of the Share Offer'' in this prospectus and in the related Application Forms.

The Listing is sponsored by the Sponsor and the Share Offer is managed by the Joint Bookrunners. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

For further information about the Underwriters and underwriting arrangements, please refer to the section headed ''Underwriting'' in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person subscribing for the Offer Shares will be required to confirm, or be deemed by his/its subscription of the Offer Shares to have confirmed, that he/it is aware of the restrictions on offer of the Offer Shares described in this prospectus and the Application Forms, and that he/she/it is not subscribing for, and has not been offered, any Share in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

HONG KONG SHARE REGISTER AND STAMP DUTY

The principal register of members of our Company will be maintained by our principal share registrar, Appleby Global Services (Cayman) Limited, in the Cayman Islands. All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Computershare Hong Kong Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Unless our Directors otherwise agree, all transfers and other documents of title of shares must be lodged for registration with and registered in Hong Kong and may not be lodged in the Cayman Islands.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Wednesday, 31 March 2021. The Shares will be traded in board lots of 5,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain USD into HKD, respectively at specified rates. For illustration purpose only, you may make conversion of USD into HKD in this prospectus based on the exchange rate as at the Latest Practicable Date set out below:

US$1.00 : HK$7.80

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HKD and vice versa at such rates or any other exchange rates.

ROUNDING

Certain amounts or percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

According to Rule 4.04(1) of the Listing Rules, in case of a new applicant, the Accountants' Report must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contain the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by its auditors with respect to the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A 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.

The Accountants' Report for the four years ended 31 December 2019 and the nine months ended 30 September 2020 is set out in Appendix I to this prospectus. However, 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 and Rule 4.04(1) of the Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following reasons:

(i) there would not be sufficient time for our Group and the reporting accountants to complete the audit work on the full financial information for the year ended 31 December 2020 for inclusion in this prospectus, which shall be issued on or before 19 March 2021. If the financial information is required to be audited up to 31 December 2020, our Company and the reporting accountants would have to undertake a substantial amount of work to prepare, update and finalise the Accountants' Report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period. This would involve additional time and costs since a substantial amount of work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 December 2020 to be finalised within a short period of time. Our Directors consider that the benefits of such work to the potential investors of our Company may not justify the additional work and expenses involved and the delay of the timetable for Listing, given that there has been no significant change in the financial position of our Group since 30 September 2020, being the expiry of the period reported by the reporting accountants;

(ii) our Company has included in this prospectus (a) the Accountants' Report covering the four years ended 31 December 2019 and the nine months ended 30 September 2020, (b) the unaudited preliminary financial information of our Group for the year ended 31 December 2020 as set out in Appendix III to this prospectus, which has been agreed with our Group's reporting accountants, BDO Limited, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this prospectus, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules, and (c) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company and the Sponsor are of the view that all material information have already provided potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group, and all material information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this prospectus. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the 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 would not prejudice the interests of the investing public;

(iii) our Directors and the Sponsor confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, save for the Listing expenses, there has been no material adverse change in the financial and trading positions or prospects of the Group since 30 September 2020 and there has been no event since 30 September 2020 which would materially affect the information shown in the Accountants' Report, the unaudited preliminary results announcement of our Group for the year ended 31 December 2020 set out in Appendix III to this prospectus and the section headed "Financial Information" in this prospectus and other parts of this prospectus; and

(iv) our Company will comply with the requirements under Rules 13.46(2) of the Listing Rules in respect of the publication of its annual report within the time prescribed. Our Company currently expects to issue its annual report for the year ended 31 December 2020 on or before 30 April 2021, respectively. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of the Group for the year ended 31 December 2020.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that:

(i) this prospectus will be issued on or before 19 March 2021 and our Shares will be listed on the Stock Exchange by 31 March 2021, i.e. within three months after the latest financial year end;

(ii) our Company will obtain a certificate of exemption from the SFC from strict compliance with the requirements under section 342(1)(b) 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;

(iii) this prospectus will include the preliminary unaudited financial information for the year ended 31 December 2020 and a commentary on the results for the year. The financial information to be included in this prospectus must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(iv) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 December 2020 in this prospectus. 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:

(i) the particulars of the exemption are set out in this prospectus; and

(ii) this prospectus will be issued on or before 19 March 2021, and our Shares will be listed on the Stock Exchange on or before 31 March 2021, i.e. three months after the latest financial year end.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Yeung Wing Sun (楊永燊先生) (formerly known as Mr. Yeung Wing Shun (楊永迅先生))	Flat 301, 3rd Floor, Block A Foon Yan House Tung Yan Court Shau Kei Wan Hong Kong	Chinese
Mr. Chan Leung (陳亮先生)	Flat C, 24th Floor, Block 2 Harmony Garden 9 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese
Non-executive Directors		
Mr. Li Fat Chung (李發中先生)	Flat B, 15th Floor, Block 5 Bel-Air on the Peak 68 Bel-Air Peak Avenue Island South Hong Kong	Chinese
Independent non-executive Directors		
Mr. Mak Alexander (麥曉峯先生)	Flat D, 7th Floor, Tower 12 One Beacon Hill 1 Beacon Hill Road Kowloon Tong Kowloon, Hong Kong	Australian
Ms. Chan Mei Wah (陳美樺小姐) (formerly known as Ms. Chan Kit Fun (陳潔芬小姐))	Flat C, 45th Floor, Tower 8 Tierra Verde, Maritime Square Tsing Yi, New Territories Hong Kong	Chinese
Mr. Wu Hak Ping (胡克平先生)	Flat H, 9th Floor 2 Tsing Fat Street The Aegean, Tuen Mun Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED

Sponsor	**Grande Capital Limited** *A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activities as defined in the SFO* Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road, Hong Kong
Joint Bookrunners	**Zhong Jia Securities Limited** *A corporation licensed under the SFO to carry on type 1 (dealing in securities) regulated activities as defined in the SFO* Unit D–F, 15/F Neich Tower 128 Gloucester Road Wan Chai Hong Kong
	MTF Securities Limited *A corporation licensed under the SFO to carry on type 1 (dealing in securities) regulated activities as defined in the SFO* Room B, 21/F Henry Centre 131 Wo Yi Hop Road Kwai Chung N.T. Hong Kong
Joint Lead Managers	**Sinomax Securities Limited** *A licensed corporation engaging in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO* Room 2705–6, 27/F, Tower One Lippo Centre 89 Queensway Hong Kong

Vinco Capital Limited
A licensed corporation engaging in
type 1 (dealing in securities) and
type 6 (advising on corporate finance)
regulated activities under the SFO
Unit 2610, 26/F
The Center, 99 Queen's Road Central
Hong Kong

ChaoShang Securities Limited
A licensed corporation engaging in
type 1 (dealing in securities) and
type 2 (dealing in futures contracts)
regulated activities under the SFO
Rooms 2206–2210, 22/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Get Nice Securities Limited
A licensed corporation engaging in
type 1 (dealing in securities)
type 4 (advising on securities),
type 6 (advising on corporate finance) and
type 9 (asset management)
regulated activities under the SFO
10/F Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Head & Shoulders Securities Limited
A licensed corporation engaging in
type 1 (dealing in securities),
type 2 (dealing in futures contracts) and
type 4 (advising on securities)
regulated activities under the SFO
28–29/F, Queen's Road Centre
152 Queen's Road Central
Hong Kong

Legal advisers to our Company	*As to the Hong Kong law* **ONC Lawyers** *Solicitors, Hong Kong* 19th Floor Three Exchange Square 8 Connaught Place Central Hong Kong
	As to the Hong Kong law **Ms. Queenie W.S. Ng** *Barrister-at-law* Rooms 2203 A&B Fairmont House 8 Cotton Tree Drive Central Hong Kong
	As to the Cayman Islands law **Appleby** *Cayman Islands attorneys-at-law* Suites 4201-03 & 12, 42/F One Island East, Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Legal adviser to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters	*As to the Hong Kong law* **ZM Lawyers** *Solicitors, Hong Kong* 20/F, Central 88 Nos. 88–98 Des Voeux Road Central Hong Kong
Auditors and Reporting accountants	**BDO Limited** *Certified Public Accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong

Safety Adviser	**Mr. Au Chung Yuen** 4/F., 72 Tai Nan Street Prince Edward, Kowloon Hong Kong
Compliance Adviser	**Grande Capital Limited** Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road, Hong Kong
Receiving bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Road, Central Hong Kong

Registered office	71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Headquarters	Unit 1103, 11th Floor 9 Chong Yip Street Kwun Tong Kowloon Hong Kong
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 1103, 11th Floor 9 Chong Yip Street Kwun Tong Kowloon Hong Kong
Company's website	**www.hongdau.com.hk** *(Note: information contained in this website does not form part of this prospectus)*
Company secretary	Ms. Leung Sau Fong *(member of Hong Kong Institute of Chartered Secretaries)* Unit 1103, 11th Floor 9 Chong Yip Street Kwun Tong Kowloon Hong Kong
Authorised representatives ***(for the purposes of the Listing Rules)***	Mr. Yeung Wing Sun Flat 301, 3rd Floor Block A, Foon Yan House Tung Yan Court Shau Kei Wan Hong Kong Mr. Chan Leung Flat C, 24th Floor Block 2, Harmony Garden 9 Siu Sai Wan Road Siu Sai Wan Hong Kong

Audit committee	Ms. Chan Mei Wah *(Chairperson)* Mr. Li Fat Chung Mr. Mak Alexander Mr. Wu Hak Ping
Remuneration committee	Mr. Mak Alexander *(Chairperson)* Mr. Li Fat Chung Ms. Chan Mei Wah Mr. Wu Hak Ping
Nomination committee	Mr. Wu Hak Ping *(Chairperson)* Mr. Li Fat Chung Ms. Chan Mei Wah Mr. Mak Alexander
Principal share registrar	Appleby Global Services (Cayman) Limited 71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banker	Nanyang Commercial Bank Limited 151 Des Voeux Road Central Hong Kong

This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepare by Frost & Sullivan, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, our or their respective directors and officers or any other parties involved in the Listing other than Frost & Sullivan. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market search company to conduct an analysis of, and to report on, the RMAA works and scaffolding service industry in Hong Kong. A total fee of HK$480,000 was charged by Frost & Sullivan for the preparation of the F&S Report. The F&S Report has been prepared by Frost & Sullivan independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the F&S Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the F&S Report.

Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The F&S Report includes information on the RMAA works and scaffolding service industry in Hong Kong. The information contained in the F&S Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including but not limited to RMAA works and scaffolding service contractors and industry experts in Hong Kong.

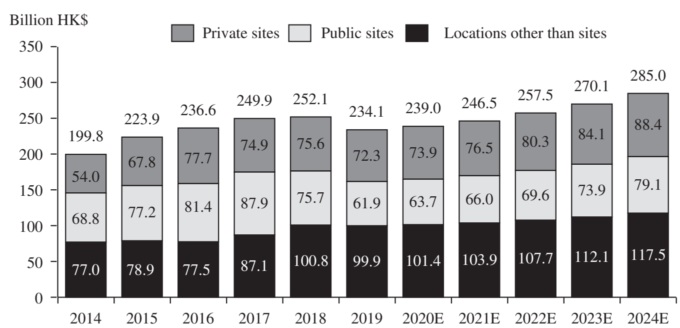
Information gathered by Frost & Sullivan has been analysed, assessed and validated using Frost & Sullivan in-house analysis models and techniques. According to Frost & Sullivan, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced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

Save for the foreseeable impact of adverse events such as outbreak of COVID-19, Frost & Sullivan developed its estimates or forecast on the following principal bases and assumptions: (i) it is assumed that the Hong Kong economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disaster to affect the demand and supply of the RMAA industry in Hong Kong during the forecast period.

OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

According to Census and Statistics Department of Hong Kong, the gross value of construction works performed by main contractors in Hong Kong increased from approximately HK$199.8 billion in 2014 to approximately HK$234.1 billion in 2019, representing a CAGR of 3.2%. The growth was primarily driven by the increase in construction activities for key infrastructure and property development projects. Despite the decline of gross value of construction works performed in 2019 as a result of social unrest and delay in the Legislative Council's approval of funding proposals of new public construction project items in Hong Kong, with the forthcoming development and redevelopment projects as well as key goal of government to increase housing supply in Hong Kong, the gross value of construction works performed by main contractors in Hong Kong is expected to grow at a CAGR of 4.5% during 2020 to 2024.

Gross value of construction works performed by main contractors by sector (Hong Kong), 2014–2024E



	CAGR (2014–2019)	CAGR (2020E–2024E)
Private sites	6.0%	4.6%
Public sites	-2.1%	5.6%
Locations other than sites	5.3%	3.8%
Total	**3.2%**	**4.5%**

Note: According to Census and Statistics Department, public sector construction works mainly includes project commissioned by the Government of the Hong Kong Special Administrative Region, MTR Corporation Limited, Airport Authority and Housing Authority. Private sector construction works mainly includes projects commissioned by private developers. The gross value of construction works performed in locations other than sites generally refer to general trades (including include decoration, repair and maintenance, and construction works at minor work locations such as site investigation, demolition, and structural alteration and addition works) and special trades (including carpentry, electrical equipment, ventilation, gas and water fitting installation and maintenance etc.).

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

OVERVIEW OF RMAA WORKS INDUSTRY IN HONG KONG

RMAA works are collectively known as repair, maintenance, alteration and addition works, which covers a wide variety of works and services commonly performed in existing buildings for upgrading and renovation purposes. Specifically, the market demand for RMAA works in Hong Kong is highly dependent on the mandatory requirement for inspection, repair, maintenance as well as alteration and addition works in aged buildings. RMAA works can be classified into (i) repair and maintenance works, and (ii) alteration and addition works.

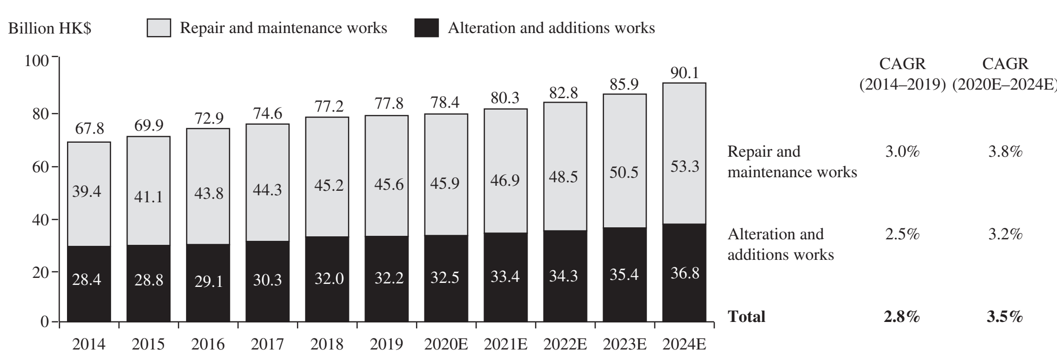
Repair and maintenance works typically encompass the upkeep, restoration and improvement of existing buildings and facilities. Examples of repair and maintenance works include the re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, repairing and replacement of windows and door, painting works, plumbing and drainage works, etc.

Alteration and addition works mainly involve the conversion and extension of building layout, covering both structural works and decoration works to the interior environment of existing premises. Alteration and addition works to existing buildings involve demolition, alteration, fitting-out works, changes in facilities configuration; change of use of buildings; fabrication, modification, removal, or installation of hardware and equipment; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; construction of a swimming pool.

Casual workers refer to a person employed in the construction industry on a day-to-day basis or for a fixed period of less than 60 days, as well as part-time workers. The wage level of casual workers undertaking RMAA works is typically in line with the market rate of other RMAA workers employed by contractors in Hong Kong. It is not uncommon for RMAA contractors to employ casual workers as sub-contractors in RMAA works market in Hong Kong to support the on-site works.

With the growing demand for RMAA works resulted from various mandatory inspection requirement such as Mandatory Building Inspection Scheme, revitalisation and redevelopment of ageing buildings, the market size of RMAA works by revenue in Hong Kong has experienced a steady growth from approximately HK$67.8 billion in 2014 to approximately HK$77.8 billion in 2019, representing a CAGR of 2.8%. Going forward, the expected increase in stock level of ageing buildings in Hong Kong (e.g. private residential building units aged 20 years and above in Hong Kong is expected to increase from over 1,000,000 in 2019 to over 1,100,000 in 2030) and increasing level of regular repair and renovation works to be conducted on ageing building serve as key support to the development of RMAA works market in Hong Kong. Subsequently, it is estimated that the market size of RMAA works will increase further at a CAGR of 3.5% during 2020 to 2024, reaching approximately HK$90.1 billion by 2024.

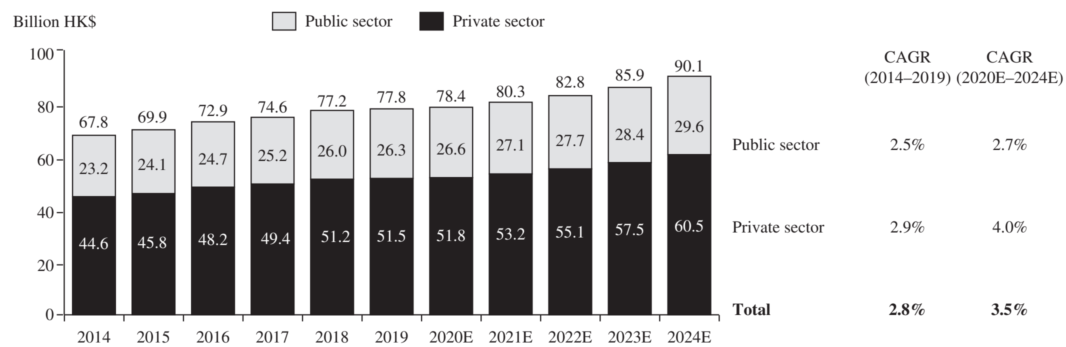
Market size of RMAA works by revenue in Hong Kong, 2014–2024E



Source: Frost & Sullivan

During 2014 to 2019, the revenue of RMAA works generated in the public sector has increased at a CAGR of 2.5% from approximately HK$23.2 billion to approximately HK$26.3 billion, whereas that of private sector has increased at a CAGR of 2.9% from approximately HK$44.6 billion to HK$51.5 billion. Under private sector, the growth of RMAA works market was driven by the renovation and maintenance in sizeable estates such as Garden Vista, City One Shatin and Mayfair Gardens which are carried out by different phases during 2014 to 2019. Going forward, driven by the expected increase in number of private residential buildings units and the demand for renovation and maintenance of ageing buildings, the revenue of RMAA works generated in the private sector is expected to increase at a CAGR of 4.0% during 2020 to 2024, whereas the growth of RMAA works in the public sector will sustain at a CAGR of 2.7% during the same period of time, driven by the demand for regular renovation and maintenance works required for aged residential estates such as South Horizons, Laguna City and Kingswood Villas, infrastructures and amenities of institutional buildings.

Market size of RMAA works by sector in Hong Kong, 2014–2024E



Source: Frost & Sullivan

Market drivers of RMAA Industry in Hong Kong

The development of RMAA industry is closely related to the construction industry as a whole, and the RMAA Industry is expected to benefit from the following market drivers:

1. *Trend of ageing buildings and mandatory building inspection requirement*

As stipulated in the Mandatory Building Inspection Scheme, owners of buildings aged 30 years or above (except domestic buildings not exceeding three-storeys) and served with statutory notices are required to appoint a registered inspector to carry out the prescribed inspection and supervise the prescribed repair works found necessary of the common parts, external walls and projections or signboards of the buildings. According to Frost & Sullivan, there were over 1,000,000 private residential units aged over 20 years in Hong Kong in 2019. Furthermore, according to Urban Renewal Authority (''**URA**'') and Buildings Department, the number of residential units aged more than 70 years is expected to increase from over 2,000 in 2018 to 326,000 by the year of 2046. Besides, according to Building Department, the number of statutory orders issued on building repairs have increased, at a CAGR of 8.5%, from 213 per year in 2014 to 320 per year in 2019, while the investigation on building defects have increased, at a CAGR of 5.9%, from 12 per year in 2014 to 16 per year in 2019. Thus, the growing stock of ageing buildings and mandatory inspection contributes to sustained demand for RMAA works in Hong Kong.

2. *Accelerating urban renewal and supportive plans for redevelopment*

As estimated, there are approximately 9,300 private buildings aged 30 years or above in metro areas, including Kowloon, Tsuen Wan, Kwai Tsing and Hong Kong Island, as in 2018 and the Development Bureau estimates that the number of buildings over 30 years' old will increase by 50% in ten years' time. In order to improve the overall living conditions of residents in dilapidated urban areas and to address the issues of urban decay, the URA is tasked to take the lead in over 200 projects under the urban renewal programme which involved approximately 126,000 residents and 32,000 units for redevelopment. On the other hand, the launch of ''Operating Building Bright 2.0'', a HK$3 billion worth subsidy scheme to provide direct technical and financial assistance to those private residential or composite buildings aged 50 or above for repair and maintenance, the demand for RMAA works in Hong Kong is expected to be bolstered over the next few years.

3. Demand from renovation and revitalisation of commercial and industrial buildings

To preserve the value of buildings, regular renovation and maintenance works is required for commercial premises such as established office space and shopping malls in prime area and district. In view of the expansion of the PRC companies in Hong Kong, the demand for office space increased in recent years and developers are dedicated to upgrade or improve their commercial properties in order to attract and retain their tenants. On the other hand, as outlined in 2018 Policy Address, the Hong Kong Government announced the reactivation of the revitalisation scheme for industrial buildings to redevelop and convert aged industrial buildings for transitional housing use. The industrial buildings owners are also allowed to refurbish the buildings for other purposes under the waiver scheme offered by the Lands Department. As a result, the demand for RMAA works in commercial and industrial buildings are likely to increase in the coming years.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS OF RMAA WORKS INDUSTRY IN HONG KONG

Overview of market competition

According to the F&S Report, the Hong Kong RMAA works market is highly competitive and fragmented, with the top five leading participants contributing an aggregate market share of approximately 11.6% in terms of revenue in 2019. The revenue of our Group was approximately HK$334.2 million in 2019, accounting for approximately 0.4% market share in terms of revenue generated from RMAA works in 2019.

Leading participants in RMAA Industry by revenue in Hong Kong, 2019

Rank	Market participants	Revenue (HK$ billion)	Approximate market share (%)
1	A Hong Kong company listed on the Main Board, which engages in building construction, construction related services, construction information technology, building materials trading and property development.	2.5	3.2
2	A Hong Kong construction company listed on the Main Board, which focuses on building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, precast products manufacturing and trading, property development, hotel and property investment, IT solution and services, etc.	2.3	3.0
3	A Hong Kong general building services provider listed on the Main Board, which engages in construction of new buildings, maintenance and civil engineering.	1.6	2.1
4	A Hong Kong private construction company focuses on maintenance, repair, minor alteration, addition and refurbishment for buildings.	1.4	1.8

Rank	Market participants	Revenue (HK$ billion)	Approximate market share (%)
5	A Hong Kong construction company listed on the Main Board, which focuses on building construction, civil engineering, civil engineering, construction services and overseas construction services.	1.2	1.5
	Subtotal	9.0	11.6
	Other	68.8	88.4
	Total	77.8	100.0

Source: Annual reports of companies, Frost & Sullivan

Factors of competition

1. Relationship with industry stakeholders

Tendering is a common process for contractors to secure construction projects in Hong Kong. Project owners, such as private property developers, management companies and main contractors, generally have their lists of approved contractors and only eligible contractors are invited for tender submission. Similarly, subcontractors of RMAA works generally rely on referral or industry network in order to be selected and appointed by their upper level of contractors. For main contractors in RMAA works, maintaining a solid relationship with quality suppliers and sub-contractors contribute to better quality of works and safety level to workers.

2. Quality of works and service delivery

Project owners generally expect contractors to conduct high quality RMAA works in order to maintain the integrity, extend the useful life and preserve the value of buildings and structures as tangible assets. Renovation and maintenance works are regularly conducted in aged buildings and structures and any defective works may result in safety risks for residents, property owners and the general public. In addition, a timely and satisfactory completion of RMAA works also contributes to minimised disturbance to residents, property owners and the environment, which are also highly preferred by clients.

3. Proven track record

RMAA works contractors with proven track record, including project reference and safety record, are more likely to secure new projects in tendering process as job reference is considered as one of the key criteria for selection of RMAA works contractors. In addition, a good track record in implementing occupational safety and health measures for workers also contribute to minimised accident rate and is therefore considered a competitive advantage.

4. Financial resources

Sufficient funding and working capital is often required for RMAA works contractors to undertake sizeable projects. In addition, it is not uncommon for private project owner to require the tender candidates to provide supporting documents of the availability of liquid assets of approximately 2% of the estimated contract sum for tendering sizable projects. Contractors generally pay upfront cost, such as subcontracting fees and costs of materials in the early stage of a project before they received any payment from our customers.

Entry barriers

1. Capital requirement

RMAA works contractors are required to pay upfront cost, which could reach approximately 5% to 10% of total contract sum, for payment for workers, and purchase of materials and rental of equipment. In addition, as discussed above, private project owners normally require contractors have sufficient financial capability for tendering sizable projects. Contractors may find difficult to secure sizable projects if they do not have sufficient financial resources.

2. Project reference

Project owners generally demonstrate strong preference towards RMAA contractors with reference in successful and timely service delivery. In general, established developers and management companies in private sectors have their list of contractors for tender invitation and RMAA works contractors without proven track record are difficult to secure projects without being invited for tender submission.

3. Industry knowledge and network

RMAA works require specific industry know-how in planning, execution, inspection and handover. Leveraging on industry experience, RMAA works contractors may conduct and delivery quality works within the timeline and budget, gaining project reference and reputation in the industry. In view of the fragmented nature of the RMAA works market, new entrants without proven industry experience are difficult to outperform their industry peers.

Potential challenges of RMAA works industry in Hong Kong

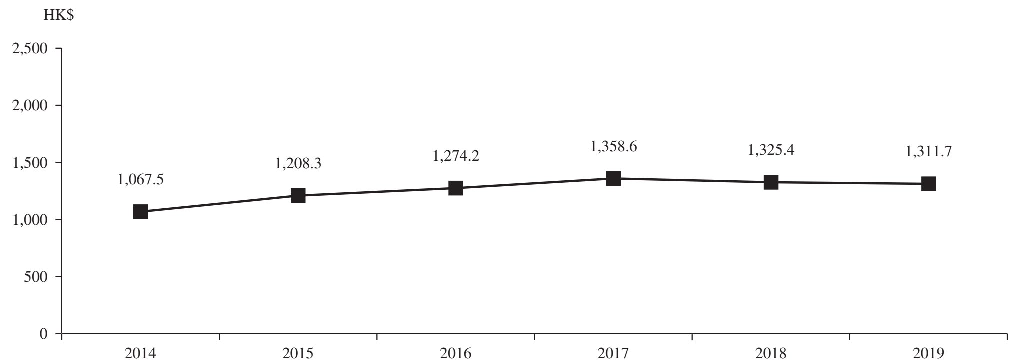
1. Shortage of labour and ageing workforce

According to the statistics published by Construction Industry Council, as of 31st December 2019, there were more than 219,000 construction workers aged 50 years old or above, which accounted for approximately 43.6% of the overall construction workforce. As the RMAA works is labour-intensive in nature and there is sustained demand for RMAA workers in Hong Kong, the ageing workforce may result in potential decline in productivity and substantial loss in skills transfer given the insufficient participation of young talents in the industry. Besides, the RMAA industry in Hong Kong may find difficulties in attracting new workers to the construction industry due to long work hours and challenging working conditions.

2. Increasing operation cost

The construction and RMAA industry have seen a high demand for labour and has seen a growing wage level given the shortfall between demand and supply of workers. According to Frost & Sullivan, the average daily wages of RMAA workers has increased at a CAGR of 4.2% from approximately HK$1,067.5 in 2014 to approximately HK$1,311.7 in 2019. The growing trend of labour cost is likely to continue in the coming few years.

Average daily wages of RMAA workers in Hong Kong, 2014–2019



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

The primary construction materials commonly used in RMAA works in Hong Kong include glazed ceramic wall tiles, paint and uPVC pipes. The price of glazed ceramic wall tiles and paint registered a mild growth at a CAGR of 1.4% and 1.9% respectively during 2014 to 2019, primarily due to the commencement of different building construction projects in Hong Kong and hence, driving the demand for these materials. On the other hand, the price of uPVC pipes recorded a moderate decline at a CAGR of 1.1% during the same period of time, partly due to high supply of plastic materials resulted from excessive inventory in the PRC. Going forward, the price of the aforesaid materials are expected to have slight increase due to sustained demand from construction activities.

3. Challenges of construction productivity and workplace safety

The RMAA industry in Hong Kong may experience a challenge in relation to decline in productivity due to ageing workforce and lack of skilled labours. Furthermore, RMAA works is considered with a relatively higher risk than other trades, as RMAA works are generally conducted on aerial work platform or platform made of scaffolds on high-rise buildings, which may pose a potential threat on safety of workers. As a result, RMAA works contractors with capability of addressing the issues by undertaking proper measures in enhancing workplace safety and productivity through adoption of new scaffolding systems with strict implementation of other safety measures, as well as retention of skilled workers, are considered more competitive in RMAA works market.

IMPACT OF COVID-19 OUTBREAK ON RMAA WORKS INDUSTRY IN HONG KONG

The construction industry in Hong Kong, including the RMAA works market and scaffolding market, has been negatively impacted by the outbreak of COVID-19 since January 2020. As most of the primary construction materials, such as cement, wall tiles, paint, uPVC pipes, bamboo and metal scaffolds, are imported from the PRC, the production and logistics of these construction materials have been temporarily disrupted as enterprises were forced to shut down during the early stages so as to contain the further spread of COVID-19 in the PRC. Some public and private construction sites in Hong Kong were closed temporarily in February 2020 for two weeks or longer to prevent construction workers from being infected by the contagious disease. Furthermore, subsequent to the trade war between the United States and the PRC, as well as local social incidents occurred in 2019, the consumer sentiment was further dampened by the global pandemic of COVID-19 and the subdued economic prospect in Hong Kong. Nevertheless, in light of (i) the number of confirmed cases of COVID-19 in Hong Kong is still relatively low when compared to other regions while the number of recovery cases has been increasing, (ii) the Hong Kong government has launched several financial measures as outlined in the

Anti-epidemic Fund to relieve the financial burdens of business enterprises and individuals to support domestic economy, particularly two rounds of subsidy schemes, namely the Construction Industry ''Anti-epidemic Fund'', for eligible engineering consultants, contractors and registered construction workers in an aggregate amount of approximately HK$5 billion benefiting over 530,000 workers and 30,000 companies in the construction industry, and (iii) the increasing number of ageing buildings and the rising demand for its associated RMAA services for dilapidated urban areas. Save for the direct impact due to the temporarily suspension of construction sites and disruption to construction materials supply during the first half of 2020 as disclosed above, the subsequent resurgence of COVID-19 cases during the fourth quarter of 2020 in Hong Kong had no material impact on the RMAA works market and scaffolding market in Hong Kong given that (i) the supply chain of major construction materials imported from the PRC is not disrupted, (ii) there is no specific restriction on operation of construction sites and workplace except those reported with confirmed COVID-19 cases, and (iii) the labour deployment is not affected during the fourth quarter of 2020. It is expected that the RMAA works market and scaffolding market will experience a slower growth rate in 2020 and will regain its momentum once the outbreak of COVID-19 is effectively controlled in the long-run. In addition, the recent incidents of COVID-19 spreading through drainage system in buildings also contribute to growing public awareness towards the inspection, erection, repair, alteration and removal of old drainage pipes in residential buildings, which will drive the market demand for RMAA works.

OVERVIEW OF SCAFFOLDING SERVICE MARKET IN HONG KONG

Scaffolding is widely applied in the construction works in Hong Kong as a temporary structure for supporting working platform for workers to carry out their building construction works, in particular erection of superstructures, and renovation, repair and maintenance works in existing buildings. In general, scaffolding systems can be broadly classified into two major types based on the material used, namely (i) bamboo scaffolding system and (ii) metal scaffolding system. Mixed scaffolding system (e.g. metal-bamboo matrix system scaffold) has also been developed as a strengthened type of bamboo scaffolding through incorporating metal tube.

Bamboo scaffolding system is currently by far the dominant type of scaffolding system in Hong Kong, attributable to good flexibility, low cost, and light in weight. However, installation of bamboo scaffolding requires skilled workers and bamboo is susceptible to corrosion, adverse weather and environmental conditions (e.g. degradation in humid environment) and fire which may result in environmental hygiene and safety risks for workers and the public. On the other hand, despite the relatively high cost, metal scaffolding system has been used extensively in other developed countries and become increasingly adopted in construction works in Hong Kong due to easy fabrication and dismantling, flexibility in customisation based on the structures, high strength and corrosion resistance which are important features to better guarantee safety of workers. Metal scaffolds typically can be used for approximately 10 years while bamboo scaffolds can be used for only approximately 15 months. Thus, application of metal scaffolds is considered environmental-friendly than bamboo scaffolds.

Outlook of scaffolding service industry in Hong Kong

Featured with high-rise building development, scaffolding service is expected to remain essential for erection, repair, renovation and maintenance works for superstructures in Hong Kong. Specifically, the expansion of scaffolding service market is set to be driven by growing application of metal scaffolding system which features with higher strength and higher degree of customisation to fit in structures with various design. Furthermore, in view of growing emphasis being placed on environmental-friendliness, construction productivity and occupational health and safety, construction works contractors may prefer metal scaffolding systems over bamboo scaffold system to minimise safety risks associated with degradation of bamboo and metal scaffolding components are typically reusable and therefore contributes to reduction of scaffolding waste. The Occupational Safety and Health Council has been actively promoting the use of metal scaffolding and platform and deliver training courses to workers on regular basis. Meanwhile, in recent years, the major construction works contractors in Hong Kong have extended their applications of the metal scaffolding systems, in particular for construction projects for new properties and have also requested its subcontractors to use metal scaffolding system instead of bamboo scaffolding system for better safety level and enhance productivity of workers.

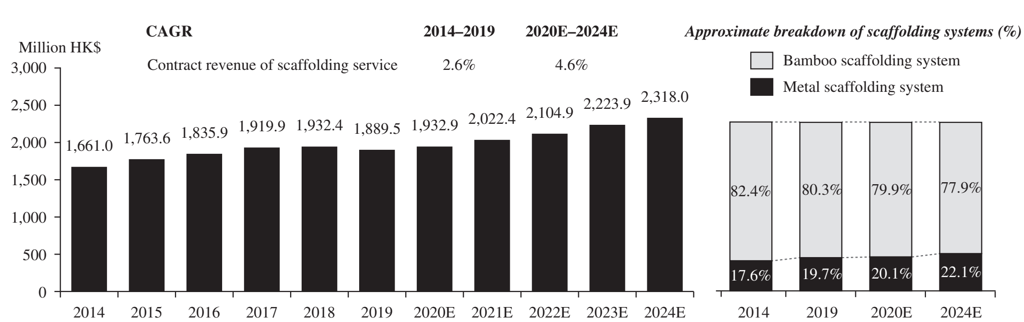
According to Frost & Sullivan and Rating and Valuation Department, there were over 1,000,000 private residential building units aged over 20 years in Hong Kong in 2019. According to Urban Renewal Authority and Buildings Department, the number of residential building units aged more than 70 years is expected to reach 326,000 by the year of 2046. As estimated, over 40% of buildings are aged over 20 years with height within 100 metres in Hong Kong in 2019. Subsequently, the regular renovation and maintenance works required for these ageing buildings results in higher demand for scaffolding services, particularly for metal scaffolding systems which are suitable for buildings with height below 100 metres.

Market size of scaffolding service in Hong Kong

The growth of scaffolding service in Hong Kong is dependent on demand for new building construction works and RMAA works to be carried out on ageing buildings. The contract revenue of scaffolding service in Hong Kong grew from approximately HK$1,661.0 million in 2014 to HK$1,889.5 million in 2019, representing a CAGR of 2.6%. Despite the decline of contract revenue of scaffolding service in Hong Kong during 2019 to 2020 due to the slump of construction market as a result of social unrest and impact of COVID-19 outbreak, the construction demand going forward for new building construction and RMAA works for ageing building and the need of scaffolding service for aerial construction and RMAA works in high-rise buildings, it is estimated that the contract revenue of scaffolding service in Hong Kong will increase further at a CAGR of 4.6% during 2020 to 2024.

In terms of the scaffolding systems, the contract revenue for metal scaffolding service had increased from approximately HK$292.3 million in 2014 to HK$372.3 million in 2019, representing a CAGR of 5.0%. The proportion of metal scaffolding system has increased from approximately 17.6% in 2014 to approximately 19.7% in 2019. Going forward, driven by growing awareness towards safety and government promotion on the use of metal scaffolding system the proportion of metal scaffolding system is expected to reach 22.1% by 2024.

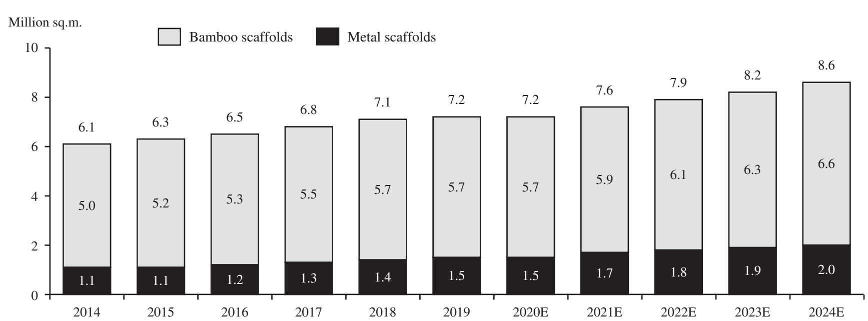
Contract revenue of scaffolding service in Hong Kong, 2014–2024E



Source: Frost & Sullivan

Driven by the building construction activities, the total consumption volume of scaffolds had increased from approximately 6.1 million sq.m. in 2014 to approximately 7.2 million sq.m. in 2019, representing a CAGR of 3.7%. In the view of increasing number of aged residential properties and the associated demand for RMAA works, the consumption volume of bamboo and metal scaffolds is expected to increase at a CAGR of 4.5% during 2020 to 2024, reaching approximately 8.6 million sq.m. by 2024. Specifically, as metal scaffold platforms are relatively safer and durable than bamboo scaffolds, the consumption volume of metal scaffolds in Hong Kong recorded a more significant growth from approximately 1.1 million sq.m. in 2014 to 1.5 million sq.m. in 2019, representing a CAGR of 6.4%. With the growing awareness towards workplace safety and government promotion for adoption of metal scaffolding systems, it is estimated that the consumption volume of metal scaffolds will increase, at a CAGR of 7.5%, from approximately 1.5 million sq.m. in 2020 to 2.0 million sq.m. in 2024.

Consumption volume of bamboo and metal scaffolds in Hong Kong, 2014–2024E



CAGR	2014–2019	2020E–2024E
Bamboo scaffolds	2.7%	3.7%
Metal scaffolds	6.4%	7.5%
Overall	***3.7%***	***4.5%***

Source: Frost & Sullivan

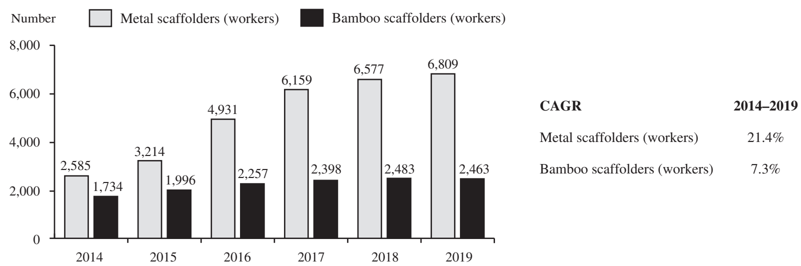
Demand and supply of metal scaffolding service in Hong Kong

The market demand for metal scaffolding services in Hong Kong is driven by the increasing safety requirements as stipulated by project owners. For example, the Housing Authority has issued the guidance for provision and use of metal scaffolding systems in RMAA works for lifts and the Hong Kong Trade Development Council has highlighted the use of metal scaffolding as an example of high reach equipment for construction and dismantling work carried out at a level over 2 metres or more above the ground in the Hong Kong Convention & Exhibition Centre. In addition, metal scaffolding systems have been widely used in construction works for public utilities such as mass transit railway, universities, theme parks.

Metal scaffolding system has been adopted by sizeable and major building construction works and RMAA works contractors in Hong Kong. According to Frost & Sullivan, (i) all of the top five market participants in building construction works in Hong Kong in terms of revenue in 2019, and at least (ii) three out of top five market participants in RMAA works in Hong Kong in terms of revenue in 2019 has adopted metal scaffolding in their construction and engineering works.

In line with the growing demand for metal scaffolding services, the supply of registered scaffolder has seen a significant growth in recent years. According to Construction Industry Council, the number of valid registered metal scaffolders (workers) which witnessed a significant growth at a CAGR of approximately 21.4% during 2014 to 2019, while the number of valid registered bamboo scaffolders (workers) increased at a CAGR of approximately 7.3% during the same period of time. The substantial growth of the number of registered metal scaffolders (workers) indicates the increasing demand for scaffolding service with metal scaffolding system in Hong Kong.

Total number of valid registered scaffolders (workers) in Hong Kong, 2014–2019



Note: According to Construction Industry Council, the number indicates the valid registered scaffolders (workers) in Hong Kong.

Source: Construction Industry Council, Frost & Sullivan

According to Frost & Sullivan, the scaffolding service market in Hong Kong is relatively fragmented with approximately 430 scaffolding contractors (including approximately 250 metal scaffolding contractors) registered with Construction Industry Council as in June 2020.

This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

OVERVIEW

We are a contractor specialising in RMAA works in Hong Kong. This section sets out a summary of certain aspects of Hong Kong laws, rules and regulations that are relevant to our operations and business.

LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME AND OPERATION

Registered General Building Contractor

Under the current contractor registration system in Hong Kong, a contractor carrying out public or private building works and street works must be registered with the Buildings Department either as a (i) general building contractor, (ii) specialist contractor or (iii) minor works contractor. Registered General Building Contractors may carry out general building works and street works which do not include any specialised works in the designated categories. We are registered with the Buildings Department as a Registered General Building Contractor.

Application for registration

Listed below are the aspects in which an applicant must satisfy for registration as a Registered General Building Contractor under section 8B(2) of the Buildings Ordinance:

(i) if the applicant is a corporation, the adequacy of its management structure;

(ii) the appropriate experience and qualifications of its personnel;

(iii) the applicant's ability to have access to plants and resources; and

(iv) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority takes into account the qualifications, competence and experience of the following key personnel of the applicant:

(i) a minimum of one person as an authorised signatory (the "**Authorised Signatory(ies)**") appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance;

(ii) for a corporation — a minimum of one person as a technical director (the "**Technical Director**") from the board of directors of the applicant who is authorised by the board to:

(a) have access to plant and resources;

(b) provide technical and financial support for the execution of building works and street works;

(c) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

(iii) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an "**other officer**" authorised by the board of directors to assist the Technical Director.

A person is permitted to take up the roles of the Authorised Signatory as well as the Technical Director of a corporation at the same time provided that he meets the requirements of both Authorised Signatory and Technical Director. If an other officer is required, he is permitted to assist the Technical Director only. In such case, the Authorised Signatory is not permitted to take up the role of an other officer.

The current Authorised Signatory and Technical Director of HDC is Mr. Chan Leung, our executive Director. If Mr. Chan retires or resigns, HDC intends to appoint Mr. Cheung Sam Fai, another member of our senior management, as our Authorised Signatory and Technical Director. Mr. Cheung has more than 10 years of local experience in construction industry and has obtained a degree of bachelor of science in building engineering and management and hence he would satisfy the qualification and experience requirements specified by the Buildings Department. The service agreement entered into between Mr. Chan and our Group provides that Mr. Chan has to give our Group at least six months' notice if he resigns. Hence, we would have sufficient time to process the appointment of Mr. Cheung as our Authorised Signatory and Technical Director or recruit a new Authorised Signatory and Technical Director in place of Mr. Chan in case he retires or resigns. For further details of the succession and contingency plan, please refer to the paragraph headed "Business — Our licences and qualifications" in this prospectus.

Renewal of registration

Renewal is required every three years. According to section 8C(2)(c) of the Buildings Ordinance, a Registered General Building Contractor or Registered Specialist Contractor should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration.

Our current registration

HDC is a Registered General Building Contractor with the certificate of registration valid until 3 May 2021.

Set out below are the details of our registration with the Buildings Department:

General Building Contractor

Name of Group member	HDC
Qualification	Registered General Building Contractor
Registration number	GBC 516/99
Date of first registration	25 January 2000
Date of expiry of current registration	3 May 2021
Current Authorised Signatory	Mr. Chan Leung
Current Technical Director	Mr. Chan Leung

Electrical Contractor

The Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) ("**Electricity Ordinance**") provides for the registration of electrical workers and contractors, and safety requirements for electricity supply and wiring. The definition of electrical works under section 2 of the Electricity Ordinance includes the installation, commissioning, inspection, testing, maintenance, modification or repair of a high or low voltage fixed electrical installation. Examples of fixed electrical installations include but not limited to distribution boards, wiring installations and lighting fittings that are fixed in premises.

Under section 34 of the Electricity Ordinance, no person shall do business as an electrical contractor or contract to carry out electrical work unless he is a Registered Electrical Contractor. All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department to ensure that such work carried out is solely by qualified electrical workers through a Registered Electrical Contractor.

Application for registration

To qualify as a Registered Electrical Contractor, an individual or a corporate applicant must employ at least one registered electrical worker. If the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Renewal of registration

Under regulation 12 of the Electricity (Registration) Regulations, a registration as a Registered Electrical Contractor is valid for the three-year period shown on the certificate of registration. Regulation 13 of the Electricity (Registration) Regulations stipulates that a Registered Electrical Contractor shall apply to the Director of Electrical and Mechanical Services for renewal of registration within one to four months prior to the expiry of the existing registration.

Our registration

As at the Latest Practicable Date, our Group is a Registered Electrical Contractor.

The details of our registration are set forth below:

Name of Group member	HDC
Qualification	Registered Electrical Contractor
Registration number	020516
Date of first registration	15 January 2005
Date of expiry of current registration	14 July 2023

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

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorised person, and, where necessary, a registered structural engineer, to prepare and submit plans for the approval of the Building Authority under the Buildings Ordinance. Such a person is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works to be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

Under section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

(a) an authorised person as the co-ordinator of such building works or street works;

(b) a registered structural engineer for the structural elements of such building works or street works, if so required, under the Buildings Ordinance; and

(c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

During the Track Record Period and up to the Latest Practicable Date, such personnel were appointed by our customers for our building works.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertaking Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertaking Ordinance, every proprietor shall, as far as reasonably practicable, take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

(i) providing and maintaining plant and systems of work that are, so far as is reasonably practicable, safe and without risks to health;

(ii) making arrangement for ensuring, so far as is reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;

(iii) providing such information, instruction, training and supervision as is necessary to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by the proprietor at the industrial undertaking;

(iv) so far as is reasonably practicable as regards any part of the industrial undertaking under the proprietor's control, maintaining it in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and

(v) providing and maintaining a working environment for all persons employed by the proprietor at the industrial undertaking that is, so far as is reasonably practicable, safe, and without risks to health.

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the CSSR, include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance, inspection and operation of hoists; (iii) the duty of contractors responsible for construction site to ensure safety of places or work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty of contractors responsible for construction site to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed. A contractor guilty of the relevant offence could be liable to a fine up to HK$200,000 and imprisonment up to 12 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), a proprietor or contractor shall have various duties including: (i) attending to the development, implementation of a safety management system; (ii) attending to the preparation and revision of a safety policy; (iii) attending to the establishment of a safety committee; and (iv) attending to the appointment of a registered safety auditor to conduct safety audit. A contravention of these prescribed duties shall constitute an offence punishable by a fine of up to (a) HK$200,000 and imprisonment of up to six months in relation to items (i), (ii) and (iv) above; and (b) HK$100,000 and imprisonment of up to three months in relation to item (iii) above.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in both industrial and non-industrial workplaces. Employers must, as far as reasonable, ensure the safety and health in their workplaces by:

(i) providing and maintaining plant and work systems that do not endanger safety or health;

(ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;

(iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health;

(iv) maintaining the workplace in a condition that is safe and without risks to health;

(v) providing and maintaining safe access to and egress from the workplaces; and

(vi) providing and maintaining a safe and healthy work environment.

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

Further, the Commissioner for Labour may serve on an employer or occupier improvement notices and suspension notices requiring respectively the rectification of contravention against safety legislation and suspension of an activity in which there is imminent risk of death or serious bodily injury. Failure to comply with such notices constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.

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

The Construction Workers Registration Ordinance provides for the registration of construction workers and related matters.

Pursuant to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Section 5 of the Contraction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work.

If (i) there is a contravention of section 3 of the Construction Workers Registration Ordinance and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a subcontractor of such a principal contractor; or (ii) there is a contravention of section 5, and the person who commits the contravention is a subcontractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine of HK$50,000.

Further, according to section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

(i) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller; and

(ii) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of record:

  (a) for the period of seven days after any construction work begins on the site; and

  (b) for each successive period of seven days, within two business days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes the above section commits an offence and is liable on conviction to a fine of HK$10,000.

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).

Stage 1 of the ''designated workers for designated skills'' provision, of which ''designated works'' will include construction, re-construction, addition, alteration and building services works, has been implemented with immediate effect from 1 April 2017. Upon implementation of this Stage 1 of the ''designated workers for designated skills'' provision, registered skilled and semiskilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, constructors 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.

During the Track Record Period and up to Latest Practicable Date, there was no material non-compliance of the Group under the Construction Workers Registration Ordinance.

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

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

Generally, 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 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 or dies as a result of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting the prescribed forms (submit Form 2B within 14 days for general work accidents which results in incapacity to an employee for a period not exceeding three days, or submit Form 2 within 14 days for general work accidents which results in incapacity to an employee for a period exceeding three days or within seven days for fatal accidents) irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of employer or did not otherwise come to his knowledge within such periods of seven or 14 days (as the case may be) then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

It is also stipulated in section 24 of the Employees' Compensation Ordinance that a main contractor should be liable to pay compensation to its subcontractors' employees who are injured in the course of their employment. However, the main contractor is 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 main contractor before making any claim or application against such main contractor.

Section 40 of the Employees' Compensation Ordinance requires all employers, including contractors and subcontractors, to take out insurance policies to cover their liabilities under the Employees' Compensation Ordinance and at common law for injuries at work for all full-time and part-time employees. Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$100 million per event (where the number of employees in relation to whom the policy is in force does not exceed 200) and no less than HK$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at HK$100,000 and imprisonment for up to two years and on a summary conviction to a fine of HK$100,000 and imprisonment for one year.

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

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

A main contractor is subject to the provisions of subcontractor's employees' wages in the Employment Ordinance. Pursuant to section 43C of the Employment Ordinance, if any wages 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, such wages shall be payable by the main contractor and/or every superior subcontractor jointly and severally. The liability of a main contractor and superior subcontractor (where applicable) shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (ii) 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 any outstanding wage payments from a subcontractor must serve a written notice on the main contractor within 60 days after the due date of payment. A main 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 main contractor.

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

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

For the information of employment claims in relation to our Group during the Track Record Period and up to Latest Practicable Date, please refer to the paragraph headed "Business — Litigation and claims" in this prospectus.

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

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

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

To reduce the risk of employing illegal workers, the Group has adopted a new Construction Workers Registration System developed by the Construction Industry Council by placing card reading devices at the construction sites to verify the authenticity and validity of the workers' Construction Workers Registration Cards.

LAWS AND REGULATIONS IN RELATION TO APPLICABLE LEVIES

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) ("Construction Industry Council Ordinance")

Under section 32 and Part 2 of Schedule 5 of the Construction Industry Council Ordinance, a Construction Industry Levy ("**CI Levy**") is imposed with regard to construction works or operations carried out in Hong Kong which amounts to 0.5% of the value of the construction operations concerned. According to section 32(2) and Part 1 of the Construction Industry Council Ordinance, the construction operations with a total value that does not exceed HK$1 million are not liable to the CI Levy. Section 33 of the Construction Industry Council Ordinance stipulates that a contractor of any construction operations which are subject to the payment of the CI Levy is liable to pay such levy only if the Hong Kong Construction Industry Council ("**HKCIC**") gives him a notice of assessment in writing, specifying the amount of the CI Levy payable by the contractor.

A contractor is required under sections 35 and 36 of the Construction Industry Council Ordinance to give notices of payment and completion in respect of construction operations respectively to the HKCIC if the construction operations are carried out under a term contract, or the total value of the construction operations exceeds HK$1 million. The notice of payment required under section 35 is submitted within 14 days after a payment is made for any construction operations or any stage or part of any construction operations, other than construction operations carried out under a term contract. If a payment is made in relation to any construction operations carried out under a term contract, it should be given to the HKCIC within 14 days after the last day of the month in which the payment was made. For the notice of completion, it should be given to the HKCIC by the contractor and the authorised person after the completion of any construction operations or after the completion of each stage of construction operations within 14 days after the completion. Failure to give the above notices on time may constitute an offence and lead to a fine of HK$10,000.

Under section 37 of the Construction Industry Council Ordinance, the HKCIC is to assess the amount of the CI Levy payable for the construction operations concerned either upon receipt of the notice of payment or completion, if such assessment has not been made upon receipt of the former. An assessment should be provisional if it is made on an interim payment or a partial payment, or the construction operations concerned are a stage or part of any other construction operations. A final assessment shall be made on the final payment for the construction operations or completion of the other construction operations as the circumstances may require. Pursuant to section 46 of the Construction Industry Council Ordinance, a penalty of 5% of the unpaid CI Levy in addition to the CI Levy is payable if a contractor fails to pay fully the CI Levy within the specified period of 28 days after he receives the notice of assessment.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) ("Pneumoconiosis and Mesothelioma (Compensation) Ordinance") and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong) ("Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations")

Section 35(1) and Division 1, Part 2, Schedule 5 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance impose a levy in respect of construction operations with a total value exceeding HK$1 million carried out in Hong Kong which amounts to 0.15% of the value of the construction operations concerned. Under section 35(5) of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, a contractor is liable to pay such levy only if the Pneumoconiosis Compensation Fund Board ("**PCFB**") gives him a notice of assessment in writing, specifying the amount of levy payable.

A contractor is required under regulations 5 and 5A of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations to give notices of payment and completion in respect of construction operations respectively to the PCFB if the construction operations are carried out under a term contract, or the total value of the construction operations exceeds HK$1 million. The notice of payment required under regulation 5 is submitted within 14 days after a payment is made for any construction operations or any stage or part of any construction operations, other than construction operations carried out under a term contract. If a payment is made in relation to any construction operations carried out under a term contract, it should be given to the PCFB within 14 days after the last day of the month in which the payment was made. For the notice of completion prescribed under regulation 5A, it should be given to the PCFB by the contractor and the authorised person after the completion of any construction operations or after the completion of each stage of construction operations within 14 days after the completion. Failure to give the above notices on time may constitute an offence and lead to a fine of HK$5,000.

According to regulation 6 of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations, the PCFB is to assess the amount of the levy payable in respect of the construction operations or the stage of part of the construction operations either upon receipt of the notice of payment or the notice of completion. An assessment will be made upon receipt of the notice of completion if it has not been made upon receipt of the notice of payment. An assessment should be provisional if it is made on an interim payment or a partial payment, or the construction operations concerned are a stage or part of any other construction operations. A final assessment shall be made on the final payment for the construction operations or completion of the other construction operations as the circumstances may require. Pursuant to section 37 of the Pneumoconiosis and Mesothelioma

(Compensation) Ordinance, failure to fully pay the levy within three months after the expiry of prescribed period of payment may lead to a further penalty of HK$1,000 or an amount that is equal to 5% of the unpaid amount, whichever is greater.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

The Air Pollution Control Ordinance regulates the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other sources of pollution. Its subsidiary regulations impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, and shall provide experienced personnel with suitable training should also be to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

We have established an environmental management system to comply with the regulation in relation to air pollution control. For details, please refer to the paragraph headed "Business — Environmental compliance" in this prospectus.

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

The Noise Control Ordinance regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use 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 Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

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

We have established an environmental management system to comply with the regulation in relation to noise control. For details, please refer to the paragraph headed "Business — Environmental compliance" in this prospectus.

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

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

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

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK$200,000 and to imprisonment for six months for the first offence, and to a fine of HK$500,000 and to imprisonment for two years for a second or subsequent offence.

When our Group acts as main contractor who undertakes construction works, our Group is responsible for establishing a billing account in respect of a particular contract with the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that particular contract. Our Directors confirm that our Group has complied with the relevant requirement during the Track Record Period and up to the Latest Practicable Date.

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 upon conviction with a daily fine of HK$200.

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK$50,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$25,000 upon conviction and a daily fine of HK$450.

Any accumulation of refuse which is a nuisance or injurious to health or any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 upon conviction and a daily fine of HK$200.

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 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.

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 13 March 2019. 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 Listing and holds the entire interest of three subsidiaries, namely, Keybase Assets, HDC and HDE.

OUR BUSINESS DEVELOPMENT

We are a contractor specialising in RMAA works in Hong Kong. Our history can be traced back to 1999 when Mr. Yeung joined HDC, our major operating subsidiary, as a project manager. In June 2000, due to other businesses of the then majority shareholder of HDC, who is an independent third party, Mr. Yeung was appointed as a director of HDC and he has been participating in the day-to-day management and operation of our Group since then. For details of Mr. Yeung's background and experience, please refer to the section headed "Directors and senior management" in this prospectus. At the same time, Mrs. Yeung acquired a majority shareholding in HDC through certain trust arrangements to support Mr. Yeung's career development in the construction industry. At all material times, Mrs. Yeung served as a passive investor of HDC and she did not participate in the management of our Group.

Under the leadership of Mr. Yeung, our Group has expanded its business throughout the years and undertook a wide range of RMAA works for different residential, commercial, industrial and institutional developments in Hong Kong. HDC first became a Registered General Building Contractor with the Buildings Department and a Registered Electrical Contractor with the Electrical and Mechanical Services Department in January 2000 and January 2005, respectively. To further expand our business to accommodate the needs of different customers, HDE was incorporated in October 2005 to undertake building repairs and maintenance projects of a smaller scale.

We endeavour to enhance our management system and provide quality services to our customers. HDC was first accredited with ISO 9001:2000 (Quality Management System) in 2002 (currently upgraded to ISO 9001:2015), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) standards in 2019.

Major business milestones

The following table sets forth a summary of the major business milestones in our Group's business development:

Year	Event
2000	• HDC has become a Registered General Building Contractor with the Buildings Department
2002	• HDC was first awarded the accreditation of ISO 9001:2000 (Quality Management System) (currently upgraded to ISO 9001: 2015))

Year	Event
2004	• HDC obtained a RMAA works project for a residential development in Tai Koo with an initial contract sum of approximately HK$19 million
2005	• HDE was incorporated to further expand our business to accommodate the needs of different customers
	• HDC has become a Registered Electrical Contractor with the Electrical and Mechanical Services Department
2006	• HDC obtained a RMAA works project for a block of Home Ownership Scheme flats together with its adjacent shopping centre and car park in Kowloon Bay with an initial contract sum of approximately HK$85 million
2007	• HDC was first awarded a three-year RMAA works project for Customer E with an initial contract sum of approximately HK$22 million
2009	• HDC obtained a RMAA works project for a commercial building in Kwun Tong with an initial contract sum of over HK$20 million
2011	• HDC obtained a RMAA works project for a residential development in the Mid-Levels with an initial contract sum of approximately HK$41 million
	• HDC obtained a RMAA works project for a residential development in the Mid-Levels with an initial contract sum of approximately HK$140 million, being the first time HDC was awarded a contract with an initial contract sum of over HK$100 million
	• HDC obtained a RMAA works project for a commercial development in Tsim Sha Tsui with an initial contract sum of approximately HK$7 million
2013	• HDC obtained a RMAA works project for a residential development in Shatin with an initial contract sum of HK$260 million, being the first time HDC was awarded a contract with an initial contract sum of over HK$200 million
2019	• HDC was first awarded the accreditation of ISO 14001:2015 (Environmental Management System)
	• HDC was first awarded the accreditation of OHSAS 18001:2007 (Occupational Health and Safety Management System)

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of the establishment and commencement of business of our Company and its subsidiaries, and material changes in their shareholdings during the Track Record Period before Reorganisation.

For further details of certain issues and transfers of shares in the share capital of our Company and its subsidiaries which took place pursuant to the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

Keybase Assets

Keybase Assets was incorporated in BVI with limited liability on 5 July 2012 and authorised to issue a maximum of 50,000 shares of a single class of no par value. It principally engages in investment holding. On 13 August 2012, Keybase Assets allotted and issued one share to Mr. Yeung for a consideration of US$1.00 as fully paid and all the issued share of Keybase Assets became wholly owned by Mr. Yeung.

On 22 March 2019, as part of the Reorganisation, our Company acquired one share of Keybase Assets from Mr. Yeung, representing all the issued share of Keybase Assets, at a consideration of US$1.00, credited as fully paid. Keybase Assets then became a wholly-owned subsidiary of our Company.

HDC

HDC was incorporated in Hong Kong as a limited company on 8 December 1981. Since 2000, it has focused on the provision of RMAA works in Hong Kong.

HDC was founded by Mr. Geung Kwok Wah ("**Mr. Geung**") and Mr. Ho Sai Yiu ("**Mr. Ho**"), who are independent third parties. From the date of incorporation and up to 8 December 1997, HDC had been owned as to 50% and 50% by Mr. Geung and Mr. Ho, respectively. From 8 December 1997 up to 30 June 2000, Mr. Ho had been the majority shareholder of HDC, holding 2,999 ordinary shares of HDC and Mr. Lo Yiu (an independent third party, deceased) had held 1 ordinary share of HDC. Mr. Geung ceased to be a director of HDC on 27 November 1997 while Mr. Ho and Mr. Lo Yiu both ceased to be a director of HDC on 30 June 2000 and had not been involved in the operation nor the management of HDC since then. On 30 June 2000, due to other family businesses of Mr. Ho in the property development, construction and real estate sectors, Mrs. Yeung through trustees acquired 2,849 ordinary shares of HDC and 1 ordinary share of HDC from Mr. Ho and Mr. Lo Yiu, respectively, representing 95% of its issued share capital, at a total consideration of HK$200,013. The consideration was determined with reference to the net asset value of HDC as at 30 June 2000. Upon completion of the acquisition and as of 30 June 2000, HDC was beneficially owned as to 95% by Mrs. Yeung and 5% by Mr. Ho. At the material time, Mr. Ho initially intended to sell the whole of his interest in HDC to Mr. Yeung. However, after discussing with Mrs. Yeung, Mr. Yeung persuaded Mr. Ho to remain as a minority shareholder with 5% of the issued share capital since Mr. Yeung was only about to start operating the business and both Mr. Yeung and Mrs. Yeung only had limited business connections. Mr. Ho, on the other hand, was a prominent businessman who undertook a number of businesses in his family and had an extensive business network. Mr. and Mrs. Yeung believed that if Mr. Ho remained as a shareholder of HDC, it would be beneficial to HDC in terms of attracting customers and securing businesses. Mr. Ho agreed with Mr. Yeung's proposal and retained 5% of the issued share capital because of his friendship with Mr. Yeung, while transferring his 2,849 ordinary shares of HDC to a trustee for Mr. Yeung who in turn held the shares for Mrs. Yeung. Prior to Mrs. Yeung's first investment in HDC in June 2000, Mrs. Yeung had worked as a sales executive (later promoted to accounts manager) at Sunray Wallcoverings Limited for over six years since March 1993 with an annual salary of approximately HK$300,000 since around 1997 till she left in July 1999, hence was financially capable to acquire HDC at the material time. Since then, Mrs. Yeung occasionally assisted in administrative matters of our Group. Mr. Yeung first met Mr. Ho when Mr. Yeung worked at Bonntile Industries (H.K.) Limited as an assistant sales manager since around 1996 and later joined HDC as a project manager in June 1999 and save as disclosed above, to the best knowledge of our Directors after due inquiry, Mr. Geung, Mr. Ho and Mr. Lo Yiu did not and do not have any past and present relationship, business or otherwise, with our Group, including our subsidiaries, Directors, Shareholders, senior management and their respective associates.

Two-tier trust arrangement

During the period from the acquisition of shares of HDC from Mr. Ho and Mr. Lo Yiu by Mrs. Yeung as beneficial owner on 30 June 2000 to the acquisition of shares of HDC by Keybase Assets on 28 September 2012, the shares of HDC were beneficially owned by Mrs. Yeung through a two-tier trust arrangement, where various registered shareholders as specified in the paragraphs below held the shares of HDC on trust for Mr. Yeung, and Mr. Yeung in turn held the shares on trust for Mrs. Yeung. The two-tier trust arrangement served Mrs. Yeung's purpose to remain a passive investor and maintain a low profile, and at the same time supporting Mr. Yeung's career development in the construction industry by providing a platform to him. Mrs. Yeung entrusted the trust arrangements to Mr. Yeung alone and did not intend to disclose the trust arrangements between herself and Mr. Yeung to the respective registered shareholders of HDC. Also, taking into account the tight personal financial circumstance of Mr. Yeung at the material times, which might undermine the customers' confidence, Mr. Yeung did not act as the registered shareholder of HDC. We have engaged the Senior Counsel in connection to the validity and legality of the two-tier trust arrangement. As advised by the Senior Counsel, based on the information and evidence before the Senior Counsel, the two-tier trust arrangement was legal and valid and the risk of the ownership of HDC being challenged is remote.

The said 2,850 shares were acquired by Mr. Lee Kim Hung ("**Mr. Lee**", deceased), a secondary schoolmate of Mr. Yeung, as trustee for Mr. Yeung, and Mr. Yeung in turn held the shares on trust for Mrs. Yeung. The trust arrangement between Mr. Yeung and Mr. Lee was in place because Mr. Yeung suggested to Mrs. Yeung that it would be beneficial to our Group's business to have Mr. Lee as a named shareholder, as he was a businessman with extensive business connections and Mrs. Yeung agreed so. The trust arrangement between Mr. Yeung and Mrs. Yeung was in place because of the reasons explained above and that even Mr. Lee had no knowledge of the trust arrangement between Mr. Yeung and Mrs. Yeung. To the best knowledge of our Directors after due inquiry, Mr. Lee's family members ran seafood business at the material time and had connections with an extensive number of customers in the neighbourhood of Wong Tai Sin district, which in a way strengthened Mr. Lee's business connections. When Mr. Yeung started to manage and operate the business of HDC in 2000, he did not have a strong client base and Mr. Yeung intended to undertake not only large scale RMAA works, but also repair and maintenance works in smaller scales and renovation for individual flat owners. It was considered that Mr. Lee's family's extensive connections in the neighbourhood would contribute to building the Group's client base as Mr. Lee could give recommendations to flat owners. However, this intention did not materialise and Mr. Lee's family's connections could not make a material contribution to the Group's business as HDC was eventually able to secure projects in a larger scale. Save as disclosed, to the best knowledge of our Directors after due inquiry, Mr. Lee did not and do not have any past or present relationship, business or otherwise, with our Group, including our subsidiaries, Directors, Shareholders, senior management and their respective associates and Mr. Lee was not involved in the operation nor in the management of HDC.

On 11 November 2009, at the request of Mr. Yeung, Ms. Lee Kam Ling ("**Ms. Lee**"), with whom Mr. Yeung has been acquainted for over 30 years and an independent third party, replaced Mr. Lee to be the trustee for Mr. Yeung due to the acute health condition of Mr. Lee. Ms. Lee also had no knowledge of the trust arrangement between Mr. Yeung and Mrs. Yeung as Mrs. Yeung would like to maintain a low profile. To the best knowledge of our Directors after due inquiry, Ms. Lee is working as a manager at a restaurant and she has not owned or held any directorship in any company. Mr. Yeung requested Ms. Lee to become a trustee not because of commercial consideration, having considered that HDC had grown to a larger scale, and that according to the audited financial statement as at 31 December 2009, the revenue and net profits were approximately HK$64.6 million and HK$2.9 million, respectively. Thus, the invitation of Mr. Yeung for Ms. Lee to be his trustee was due to the trust in Ms. Lee. While Mr. Yeung has been acquainted with Ms. Lee for over 30 years, Mrs. Yeung was also acquainted with Ms. Lee and was satisfied with Ms. Lee being the trustee. Save as disclosed, to the best knowledge of our Directors after due inquiry, Ms. Lee did not and do not have any past or present relationship, business or otherwise, with our Group, including our subsidiaries, Directors, Shareholders, senior management and their respective associates and Ms. Lee was not involved in the operation nor in the management of HDC.

As the business of HDC had grown to a larger scale by 2011, Mr. Ho initiated to transfer the remaining 5% of the issued share capital. Thus, on 14 October 2011, Mrs. Yeung further acquired through trustees from Mr. Ho the remaining 150 shares of HDC, representing 5% of the issued share capital of HDC, at a consideration of HK$250,050. The consideration was determined based on the commercial negotiation between the parties, taking into account the fact that most of the business of HDC at the material time was contributed by Mr. Yeung. Since then, Mrs. Yeung held 3,000 ordinary shares of HDC, which represents its entire issued share capital.

The said 150 shares were acquired by Mr. Cheung Sing For ("**Mr. Cheung**"), a secondary schoolmate of Mr. Yeung, as trustee for Mr. Yeung, and Mr. Yeung in turn held the shares on trust for Mrs. Yeung. The trust arrangement between Mr. Yeung and Mr. Cheung was in place at the request of Mr. Yeung as Ms. Lee declined to be Mr. Yeung's trustee in respect of the said 150 shares upon his invitation due to administrative inconvenience as Mr. Lee did not want to go through another round of administrative procedure for executing a trust agreement, while the trust arrangement between Mr. Yeung and Mrs. Yeung was in place because of the reasons explained above and that even Mr. Cheung had no knowledge of the trust arrangement between Mr. Yeung and Mrs. Yeung. To the best knowledge of our Directors after due inquiry, Mr. Cheung was engaged in garment manufacturing industry and currently owns and is the sole director of Glory Course Limited, which engages in trading of perfume. Mr. Yeung requested Mr. Cheung to become a trustee not because of commercial consideration, but because of Mr. Yeung's trust in Mr. Cheung, having considered the enlarged business scale of HDC at the material time as disclosed above. While Mr. Cheung was a secondary schoolmate of Mr. Yeung, Mrs. Yeung confirmed that she also knew Mr. Cheung and was satisfied with Mr. Cheung being the trustee. Save as disclosed, to the best knowledge of our Directors after due inquiry, Mr. Cheung did not and do not have any past or present relationship, business or otherwise, with our Group, including our subsidiaries, Directors, Shareholders, senior management and their respective associates and Mr. Cheung was not involved in the operation nor in the management of HDC.

There were issues of late stamping for some of the trust instruments (a) between the registered shareholders and Mr. Yeung and (b) between Mr. Yeung and Mrs. Yeung due to administrative oversight and the misunderstanding of Mr. Yeung and Mrs. Yeung that stamping is not necessary for a declaration of trust between spouses. For formality purposes, the relevant declarations of trust had been presented to the Stamp Office for stamping and the penalties for late stamping had been fully settled. As advised by the Senior Counsel, late stamping of the trust instruments will not affect the validity nor the legality of the trust arrangement. Also, there were some clerical errors in the trust instruments between Mr. Yeung and Mrs. Yeung since the relevant trust instruments were prepared by Mrs. Yeung by replicating the contents of the trust instruments between Mr. Yeung and the registered shareholders of HDC, which were prepared by solicitor firms. As advised by the Senior Counsel, the alleged clerical errors are unlikely to affect the validity of the relevant trust instruments.

In 2012, as Mr. Yeung has been managing the business of HDC for years and Mr. Yeung was considering to enter into the equity market in Hong Kong for further expansion of our Group while Mrs. Yeung would like to remain a low profile, Mrs. Yeung decided to transfer the beneficial interest in HDC to Mr. Yeung to further support Mr. Yeung's career development. On 28 September 2012, Ms. Lee and Mr. Cheung as trustees transferred 2,850 and 150 ordinary shares of HDC, respectively, to Keybase Assets at a total consideration of HK$45,000, which was determined taking into account the net asset value of HDC as at 30 June 2012 of HK$21.4 million and the proposed dividend of HK$25.5 million to be paid to Mrs. Yeung in 2012. Since as at 31 August 2012, based on the unaudited account of HDC, the net assets value of HDC had increased to approximately HK$26.0 million, which would be sufficient to cover the dividend of HK$25.5 million paid to Mrs. Yeung. Furthermore, as shown by the audited financial statement of HDC as at 31 December 2012, after paying the aforesaid dividend, HDC still had a net assets value of approximately HK$2.5 million. At the material times and up to the Latest Practicable Date, the entire issued share capital of Keybase Assets was wholly-owned by Mr. Yeung. Upon completion of the transfers, HDC became wholly-owned by Keybase Assets, which was in turn wholly-owned by Mr. Yeung. By virtue of such transfers, the respective trust arrangements between (i) Ms. Lee and Mr. Yeung, (ii) Mr. Cheung and Mr. Yeung, and (iii) Mr. Yeung and Mrs. Yeung were terminated. From Mrs. Yeung's investment in HDC for over 12 years, she had an investment return of approximately HK$25.1 million.

Save for the two-tier trust arrangements of HDC and HDE as disclosed under this section, our Company confirms, and the Sponsor concurs based on its due diligence performed, that there are no other trust arrangements in relation to the shareholding of the Company.

From June 2000 to April 2002, Mr. Yeung did not receive any salary or remuneration from HDC, as the shares in HDC were newly transferred from Mr. Ho and Mr. Lo to Mr. Lee (Mr. Yeung's trustee), Mr. Yeung was in an initial stage to run the business of HDC and HDC had limited funding. From May 2002 to March 2006, Mr. Yeung received remuneration ranging from HK$120,000 to HK$260,000 per annum from HDC, reflecting his salary as a director of HDC. From April 2006 to October 2006, Mr. Yeung received a salary of HK$120,000. Since Mr. Yeung was declared bankrupt in March 2006 which was only discharged in March 2010, he did not want his directorship in HDC to undermine the customers' confidence or the reputation of HDC. Thus, between the period of April 2006 and October 2006, he resigned as a director of HDC but continued to work as a contract manager for a transitional period to arrange for handover of continuing projects. Mr. Yeung resigned as a contract manager subsequent to the transitional period from April 2006 to October 2006 and did not receive salary from HDC from November 2006 to March 2011. Even though Mr. Yeung was not paid during the said period of time, he continued to assist Mrs. Yeung in HDC's business by assisting the management of HDC in relation to sales and marketing matters by (a) occasionally introducing customers to HDC and HDE for the management's consideration but the management would exercise its own judgment as to which projects they would engage in; or (b) providing information and sharing his knowledge in relation to the customers to the management of the Group. Taking into account his limited role and involvement in HDC during such period, Mr. Yeung did not receive any remuneration from HDC. For the period between April 2011 and March 2012, Mr. Yeung received salary totalling HK$620,000 from HDC as he worked as a contract manager of HDC. Mr. Yeung was reappointed as a director of HDC in April 2012. For the period between April 2012 and September 2012, before the shares of HDC were transferred to Keybase Assets, Mr. Yeung received remuneration totalling HK$300,000 as a director of HDC in that period.

Regarding the identity of the directors and management team responsible for the business operations and management of HDC between June 2000 and March 2012, since Mr. Ho and Mr. Lo resigned as directors of HDC on 30 June 2000, the directors and management team of HDC from 30 June 2000 to 30 March 2006 comprised Mr. Lam Heung Yeung Horace ("**Mr. Lam**", appointed as a director on 9 November 1999) and Mr. Yeung (appointed as a director on 30 June 2000). Mr. Yeung resigned as a director of HDC on 30 March 2006, which is the day after he was adjudged bankrupt. After Mr. Yeung's resignation, he continued to assist the management of HDC in relation to sales and marketing matters. Therefore, for the period between April 2006 and March 2012, Mr. Lam was the sole director of HDC and Mr. Yeung did not act as a director nor involve in policy-making or decision-making for the business of HDC until Mr. Yeung was reappointed as a director of HDC in April 2012.

HDE

HDE was incorporated in Hong Kong as a limited company on 15 October 2005. It engages in repair and maintenance works of a smaller scale.

During the period from the incorporation of HDE in October 2005 to the acquisition of shares of HDE by Keybase Assets on 28 September 2012, the shares of HDE were beneficially owned by Mrs. Yeung through a two-tier trust arrangement similar to the trust arrangement of the shares of HDC, where the registered shareholders held the shares of HDE on trust for Mr. Yeung, and Mr. Yeung in turn held the shares on trust for Mrs. Yeung, for the same reason for setting up the two-tier trust arrangement for HDC as disclosed above. As advised by the Senior Counsel, based on the information and evidence before the Senior Counsel, the two-tier trust arrangements are legal and valid and the risk of the ownership of HDE being challenged is remote. Even though there are also issues of late stamping and clerical errors with some of the trust instruments of HDE which are similar to those of HDC, the Senior Counsel opined that such issues will unlikely affect the validity and legality of the trust instruments of HDE.

On 17 October 2005, to further leverage the extensive business network and connection of Mr. Lee, Mr. Lee held the entire issued share capital of HDE on trust for Mr. Yeung, and following the arrangement in HDC, Mr. Yeung in turn held the shares on trust for Mrs. Yeung since then. The trust arrangement between Mr. Yeung and Mr. Lee was in place because Mr. Yeung considered that it would be beneficial to our Group's business to have Mr. Lee as a named shareholder, as he was a businessman who had connections with an extensive number of customers in the neighbourhood of Wong Tai Sin district through his family's seafood business. On 9 November 2009, at the request of Mr. Yeung, Ms. Lee, an independent third party, became the trustee for Mr. Yeung due to the acute health condition of Mr. Lee.

On 28 September 2012, Ms. Lee as trustee transferred 10,000 ordinary shares of HDE, representing its entire issued share capital, to Keybase Assets at a consideration of HK$10,000, based on the then par value of the ordinary shares of HDE. The transfer of HDE to Keybase Assets was made at the same time as Mrs. Yeung decided to sell HDC to Mr. Yeung to further support his career in the construction industry. In light of the amount of dividend paid to Mrs. Yeung by HDC as disclosed above, having considered the relationship between Ms. Yeung and Mr. Yeung, and the total net assets value of approximately HK$26.5 million of HDC and HDE in a group as whole as at 31 August 2012 in the unaudited account, Mrs. Yeung considered that a dividend of HK$25.5 million was fair and reasonable. Upon completion of the transfer, HDE became wholly-owned by Keybase Assets, which was in turn wholly-owned by Mr. Yeung. By virtue of the transfer, the trust arrangement between Ms. Lee and Mr. Yeung was terminated. Notwithstanding that HDE had been profit-making from its establishment in 2005 and up to the above transfer in 2012, HDE did not declare any dividend during the same period. As such, without taking into account the minimal incorporation costs, Mrs. Yeung did not have any investment return in HDE.

Save for the two-tier trust arrangements of HDC and HDE as disclosed under this section, our Company confirms, and the Sponsor concurs based on its due diligence performed, that there are no other trust arrangements in relation to the shareholding of the Company.

Regarding the changes in the directors of HDE since its incorporation in 2005, Mr. Yeung and Mr. Lam were appointed as directors on 17 October 2005 and 3 May 2006, respectively. Mr. Yeung resigned as a director on 3 May 2006. From the date he was adjudged bankrupt until his resignation, Mr. Yeung did not attend to any business in the capacity of a director of HDE. After Mr. Yeung's resignation, he did not act as a director nor involve in policy-making or decision-making for the business of HDE. Mr. Lam resigned as a director of HDE on 1 April 2012 and Mr. Yeung was reappointed as a director on the same day. On 28 September 2012, Keybase Assets was appointed as a corporate director of HDE and the board of directors comprised Mr. Yeung and Keybase Assets as at the Latest Practicable Date.

REORGANISATION

In preparation for the Listing, our Group carried out the following restructuring steps for the purpose of establishing our corporate structure:

Incorporation of Harvest Land

On 20 February 2019, Harvest Land was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each.

On the same day, Harvest Land allotted and issued one share with a par value of US$1, as fully paid to Mr. Yeung. Accordingly, Harvest Land became wholly owned by Mr. Yeung.

Incorporation of our Company

On 13 March 2019, 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 Shares with a par value of HK$0.01 each.

On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to a nominee subscriber.

On the same day, the nominee subscriber as transferor executed an instrument of transfer in favour of Harvest Land, pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to Harvest Land. Accordingly, our Company became wholly owned by Harvest Land.

Transfer of all the issued share of Keybase Assets from Mr. Yeung to our Company

On 22 March 2019, Mr. Yeung, our Company and Harvest Land entered into a reorganisation agreement and executed the relevant instrument of transfer, pursuant to which our Company acquired one share in Keybase Assets, representing all the issued share of Keybase Assets, from Mr. Yeung. In consideration of the transfer, our Company allotted and issued 99 Shares with a par value of HK$0.01 each, credited as fully paid, to Harvest Land at the direction of Mr. Yeung.

Upon completion of the above transfer, Keybase Assets became a wholly-owned subsidiary of our Company.

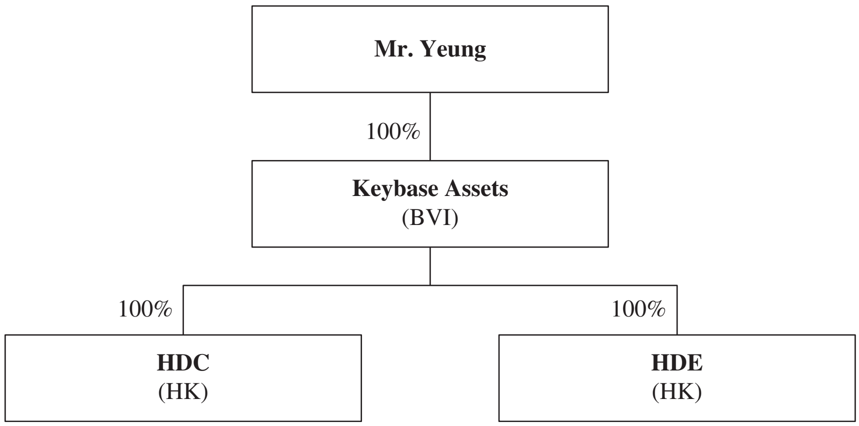
CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the new issue of Shares pursuant to the Share Offer, an amount of HK$7,499,999 standing to the credit of the share premium account of our Company will be capitalised by applying such sum to pay up in full at par a total of 749,999,900 Shares to be allotted and issued to Harvest Land, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute 75% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme).

CORPORATE STRUCTURE

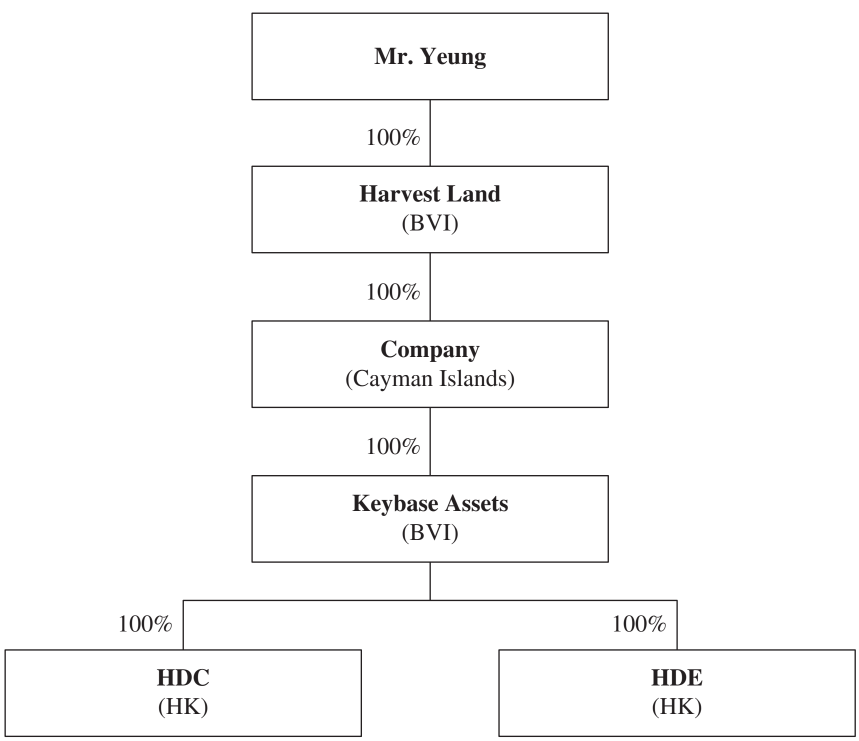
Corporate structure of our Group immediately before the Reorganisation

The following diagram sets out the shareholdings and corporate structure of our Group immediately before the implementation of the Reorganisation:



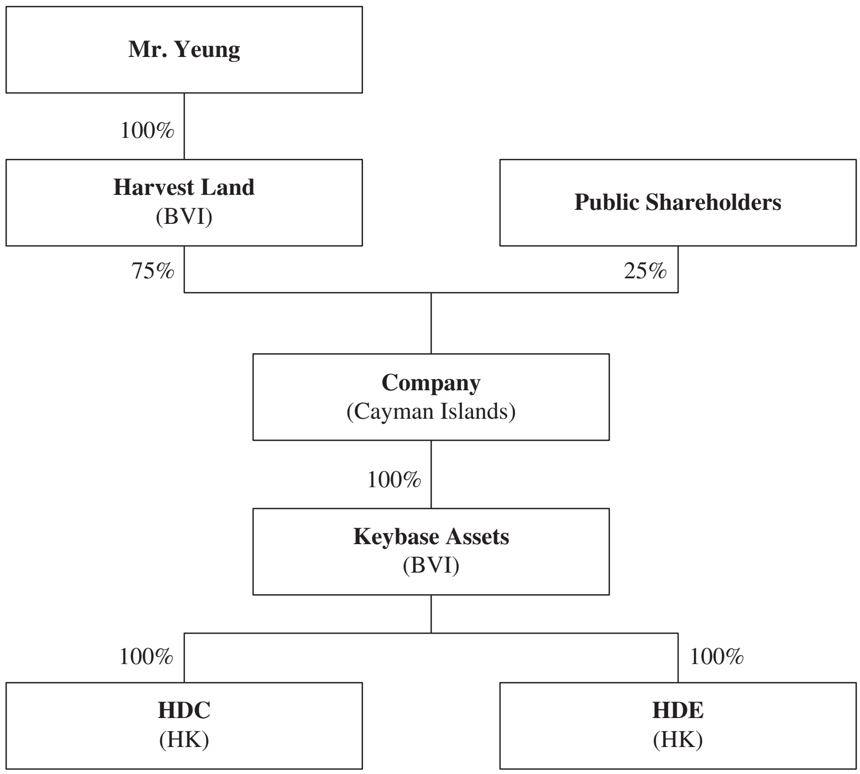
Corporate structure of our Group immediately after the Reorganisation

The following diagram shows the shareholding and corporate structure of our Group immediately after the Reorganisation:



Corporate structure of our Group immediately after the Reorganisation and upon Listing

The shareholding and corporate structure of our Group upon Listing (without taking into account any shares of our Company which may be issued upon exercise of the Over-allotment Option or the options under the Share Option Scheme) is set out in the below diagram:



OVERVIEW

We are a contractor specialising in RMAA works in Hong Kong. During the Track Record Period, we undertook repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, design of new structural works and checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

During the Track Record Period, most of our projects were project-based while some were on term contract basis. Under the project-based contracts, we have completed 67 projects during the Track Record Period and the aggregate original contract sum of which amounted to approximately HK$1,493.3 million. During the Track Record Period, we have undertaken 11 term contracts that contributed revenue to our Group, which were all awarded by Customer E, with the aggregate original contract sum approximately HK$185.8 million. We were responsible for the provision of general building repair for specified properties with a fixed term of three years based on the requests by Customer E on an order-by-order basis. In the aforesaid term contracts entered into between Customer E and us, there are no fixed or committed contract value or guaranteed business volume. Our term contracts also contain estimated contract sum based on the agreed schedules of rates stated in the term contracts and the estimated quantities of work items. The actual amount and nature of works required to be performed by our Group are subject to the customers' work orders from time to time during the contract period, which are charged according to the agreed schedules of rates stated in the term contracts.

As at the Latest Practicable Date, we had 12 on-going project-based contracts and one existing term contract, the aggregate original contract sum of which amounted to approximately HK$541.6 million and HK$61.0 million, respectively. The aggregate contract value to be recognised on or after 1 October 2020 was approximately HK$347.7 million. For further information of our projects, please refer to the paragraph headed "Our projects" in this section.

For those project-based projects, we primarily acted as a subcontractor or, to a lesser extent, as a main contractor. We normally engage subcontractors to carry out the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget. The works we subcontract to our subcontractors are generally labour intensive, such as scaffolding, plastering, painting, improvement of fire services system, waterproofing, fitting-out work, and plumbing and drainage works. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's subcontracting fees amounted to approximately HK$152.3 million, HK$194.8 million, HK$246.5 million, HK$266.8 million and HK$188.8 million, representing approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our Group's total cost of services, respectively. For further details of our subcontractors, please refer to the paragraph headed "Our suppliers — Our subcontractors" in this section.

During the Track Record Period, we recorded relatively low purchase costs from our suppliers as we generally require our subcontractors to bear the cost of construction materials. In some occasion, materials may be procured by us on our own account for the use of our subcontractors or our customers may purchase materials on our behalf and such accounts are subsequently settled under contra-charge arrangement. Materials are procured by us on a project-by-project basis to meet the estimated demand according to the work schedule of the projects. As such, we did not keep any inventories during the Track Record Period. Our suppliers include (i) subcontractors; (ii) suppliers of construction materials, such as glazed ceramic wall tiles, paint and uPVC pipes; and (iii) suppliers of other miscellaneous services. For further information regarding our suppliers and subcontractors, please refer to the paragraphs headed "Our suppliers" and "Our subcontractors" in this section.

For the projects that we acted as the main contractor, we are also responsible for the overall management, implementation and supervision of projects, including preparation of engineering design and technical submission, devising detailed work programmes, coordination with customers or their consultants. The following table sets out our revenue during the Track Record Period by reference to our role in the project and contract nature:

									Nine months ended 30 September			
	FY2016		**FY2017**		**FY2018**		**FY2019**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Project-based												
Subcontractor	129,071	69.4	222,815	96.6	292,615	96.9	292,325	87.5	222,503	87.1	218,670	92.2
Main contractor	42,589	22.9	2,059	0.9	4,023	1.3	5,274	1.6	4,263	1.7	3,600	1.5
Term-contract	14,315	7.7	5,684	2.5	5,340	1.8	36,650	10.9	28,808	11.2	14,832	6.3
Total	185,975	100.0	230,558	100.0	301,978	100.0	334,249	100.0	255,574	100.0	237,102	100.0

We maintain the necessary licences for carrying out RMAA services. Our Group is an approved contractor of (i) Registered General Building Contractor under the Building Ordinance; and (ii) Registered Electrical Contractor under the Electricity (Registration) Regulations. For further details of our licences and qualifications, please refer to the paragraph headed "Our licences and qualifications" in this section.

During the Track Record Period, our customers included (i) contractors and incorporated owners of private residential buildings; (ii) contractors and corporate customers of private commercial and industrial buildings; and (iii) institutional organisation. The following table sets out our revenue during the Track Record Period by reference to the type of buildings:

									Nine months ended 30 September			
	FY2016		**FY2017**		**FY2018**		**FY2019**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Residential	142,616	76.7	87,878	38.1	86,044	28.5	183,156	54.8	145,560	57.0	147,768	62.3
Commercial and industrial	43,359	23.3	141,294	61.3	215,934	71.5	151,093	45.2	110,014	43.0	89,334	37.7
Institutional organisation	Nil	0.0	1,386	0.6	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0
Total	185,975	100.0	230,558	100.0	301,978	100.0	334,249	100.0	255,574	100.0	237,102	100.0

We secure projects through (i) open tenders published in local newspaper or website and (ii) invitations for tender and quotation by our customers or their consultants. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our tender and quotation success rate was 19.7%, 19.8%, 21.3%, 23.5% and 29.0%, respectively. For details, please refer to the paragraph headed "Operation flow — Award of contract" in this section.

COMPETITIVE STRENGTHS

Established presence in the RMAA industry in Hong Kong

With over 15 years of operating history in the RMAA industry in Hong Kong, our Directors consider that we have established presence in the industry. For instance, the size and number of the projects we have undertaken during the Track Record Period has been increasing. During the Track Record Period, we have completed 67 project-based projects and 10 term contracts (in terms of the contract period). In addition, we have gained comprehensive experience from various RMAA projects in different types of building, such as residential buildings, commercial buildings, industrial buildings, clubhouses, shopping malls and education buildings.

As such, our established presence in the RMAA industry in Hong Kong may give us an advantage for maintaining existing customers and securing new business opportunities and it is crucial to our day-to-day business operations and future business development.

Stringent quality control and high safety standard and environmental impact control

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Our management system was certified to be in accordance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 accreditations for our management systems. For details, please refer to the paragraph headed "Our certifications and awards" in this section. Our Directors believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established contractor for RMAA works in Hong Kong.

Experienced and dedicated management team

We have an experienced management team in the construction industry. We are led by Mr. Yeung, the chairman of our Board and executive Director, who has over 20 years of experience in the construction industry and has been fundamental to our historical development. Our chief executive officer and executive Director, Mr. Chan, has over 25 years of experience in the construction industry and has joined us since 2013 and also acts as the AS and TD of HDC. In addition, our senior management have solid experience in the construction industry. For further information regarding the background and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus. Our Directors believe that based on the experience of our management team and their knowledge of the industry and the customers' needs, we are able to deliver quality and satisfactory services to our customers, which is essential to our success and future development.

BUSINESS STRATEGIES

Further strengthening our market position, increasing our market share and capturing the growth in the RMAA industry

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the RMAA industry. We intend to achieve our business objective by (i) upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects; (ii) further strengthening our financial position for the purpose of securing additional and larger-scale RMAA projects; and (iii) further strengthening our manpower to cope with our business development.

According to the F&S Report, with the growing demand for RMAA works resulted from various mandatory inspection requirement, revitalisation and redevelopment of ageing buildings, the market size of RMAA works by revenue in Hong Kong has experienced a steady growth from approximately HK$67.8 billion in 2014 to approximately HK$77.8 billion in 2019, representing a CAGR of approximately 2.8%. Going forward, the expected increase in stock level of ageing buildings in Hong Kong and regular repair and maintenance works to be conducted on ageing building serve as key support to the development of RMAA works market in Hong Kong. It is estimated that the market size of RMAA works will increase further from approximately HK$78.4 billion in 2020 to approximately HK$90.1 billion in 2024, representing a CAGR of approximately 3.5%.

The positive expectation is largely attributed to the estimation that there are approximately 9,300 private buildings aged 30 years or above in metro areas, including Kowloon, Tsuen Wan, Kwai Tsing and Hong Kong Island, as in 2018 and the Development Bureau estimates that the number of buildings over 30 years' old will increase by 50% in ten years' time. The scope of ageing buildings will enlarge to new town areas and the stock will further grow in the coming 10 years. On the other hand, as stipulated in the Mandatory Building Inspection Scheme, owners of buildings aged 30 years or above and served with statutory notices are required to appoint an registered inspector to carry out the prescribed inspection and supervise the prescribed repair works found necessary of the common parts, external walls and projections or signboards of the buildings. According to the F&S Report, with a view to providing timely repairs, the government authorities arrange inspections every 10 years for residential units in buildings aged between 10 and 30 years, and has increased the frequency to every five years for buildings aged over 30 years old. Following the ageing of buildings in Hong Kong, the frequency of maintenance works for residential buildings will further increase due to various mandatory inspection requirement, revitalisation and redevelopment of ageing buildings. Thus, the growing stock of ageing buildings and mandatory inspection contributes to sustained demand for RMAA works in Hong Kong.

Our Directors consider that there is considerable demand for our business expansion and are confident that we can achieve a business growth if we are to continue to increase our available resources. Having considered the market opportunities as discussed above and the limitation of our current resources, our Directors are of the view that in order to undertake additional and large-scale RMAA projects and to capture business opportunities, we shall continue to expand our operation scale, upgrade our construction equipment, increase our available working capital and human resources and enhance our competitiveness in the RMAA industry, by adopting the following implementation plan:

1. Upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects

According to the F&S Report, scaffolding is widely applied in the construction works in Hong Kong as a temporary structure for supporting working platform for workers to carry out their building construction works, in particular erection of superstructures, as well as renovation, repair and maintenance works in existing buildings. According to the F&S Report, the contract revenue of scaffolding service in Hong Kong has increased from approximately HK$1,661.0 million in 2014 to approximately HK$1,889.5 million in 2019 and is expected to further increase to approximately HK$2,318.0 million in 2024.

Meanwhile, in terms of the scaffolding systems, the proportion of application of metal scaffolding system has increased from approximately 17.6% in 2014 to approximately 19.7% in 2019. Going forward, driven by growing awareness towards safety and government promotion on the use of metal scaffolding system, the proportion of metal scaffolding system is expected to reach 22.1% by 2024, which in terms of contract revenue will be approximately HK$512.3 million.

Our Group plans to invest in metal scaffolds for setting up approximately 84,000 sq.m. of working platform. Our Directors are of the view that such investment can offer us advantage to cater for RMAA works projects due to the following reasons:

(a) Enhancing our construction quality meanwhile ensuring safety by adopting metal scaffolding system

The bamboo scaffolding system is regarded to be the dominant type in the local construction industry over the years chiefly because of its good flexibility, low costs and light in weight. However, installation of bamboo scaffolding system requires skilled workers and bamboo is susceptible to corrosion, adverse weather and environmental conditions (e.g. degradation in humid environment) and fire which may result in environmental hygiene and safety risks for workers and the public. Compared with bamboo scaffolding system, working platform formed by metal scaffolding system is relatively safe and reliable. Also, metal scaffolding system has been used extensively in other developed countries and become increasingly adopted in construction works in Hong Kong due to its nature of easy fabrication, installation and dismantling, high strength and corrosion resistance which are important features to better guarantee safety of workers.

The execution of bamboo scaffolding is highly relied on skilled and experienced scaffolders, which may cause variation of the factors, such as strength and situation, of the scaffolding system. However, as compared with bamboo scaffolding, the metal scaffolding is easier to be assembled and standardise the quality of working platform.

Fall of person from height is one of the major accident categories in the construction industry in Hong Kong. We have also suffered industrial fatal accidents in 2013 and 2014, respectively, which both accidents involved the fall of person from height. These fatal accidents were a blow to morale of our staff and caused financial losses and reputation damage. We recorded a slight increase in the insurance premium of the insurance in relation to the site at The Paradise Mall, Hong Kong after the accident in 2013 but no increase in the insurance premium of the insurance in relation to the site at Tregunter, No. 14 Tregunter Path, Mid-levels, Hong Kong after the accident in 2014 was recorded. In particular, the fatal accident in 2013 occurred during fixing metal brackets in bamboo scaffolding system and our Directors consider such accident can be avoided by using metal scaffolding system. Following the occurrence of the two fatal accidents, our Group has a heightened awareness of work safety and has paid serious attention on the potential risks associated with working at height. We have continually provided safety training to our project management team and our subcontractors. We strictly enforce occupational safety and health laws and regulations and even impose penalties on our subcontractors which do not comply with our safety procedures. We also tend to establish business relationships with subcontractors with good safety record. For detail of our safety measures, please refer to the paragraph headed "Occupational health and safety" in this section. Although we do not record material accidents after the implementation of safety enhancements as mentioned above, our Directors consider that enhancing our safety system from time to time is necessary, in particular, for reducing the potential risks associated with working at height. Our Directors consider, and the Safety Advisor concurs, that using metal scaffolding system instead of bamboo scaffolding system would reduce the risk of occurrence of fatal accident and the potential risks associated with working at height, after considering the following:

(i) according to the work safety alert published by the Labour Department during the Track Record Period and up to the Latest Practicable Date, there were 11 accidents related to bamboo scaffolding system and 3 of the accidents were related to metal scaffolding system that we plan to use;

(ii) the guidelines issued by the Labour Department state that the use of safety belt is necessary for working in a bamboo scaffolding system but not necessary in a metal scaffolding system as it is a suitable working platform with guard rail;

(iii) the overall safety of metal scaffolding system is enhanced compared with bamboo scaffolding system and metal scaffolding system is more stable due to the fact that such system is built on the ground floor of a site and easy to be erected and controlled by using sleeve couplers to fix the scaffolds together, whereas the stability and safety of bamboo scaffolding system are highly reliant on the skill and experience of the scaffolders;

(iv) the Labour Department has issued specific guidelines setting out the minimum loading requirement for metal scaffolding system of not less than 1.5 kilonewton per square metre, whereas there is no loading test available for bamboo scaffolding system due to the uncertainty of the strength of each bamboo;

(v) according to the F&S Report, metal scaffolds which are made in factory environment under strict quality assurance demonstrates more consistent quality than bamboo scaffolds, which are susceptible to corrosion, adverse weather and environmental conditions and fire and whose quality varies from each bamboo;

(vi) according to the F&S Report, metal scaffolding system has been proven for its higher safety level over the bamboo scaffolds with lower risk of accidents by hazard analysis, which is partly attributable to the reason that metal scaffolding system offers a steady and reliable working platform and better construction environment to workers. Thus, workers in a metal scaffolding system can perform their works at ease without getting nervous and tired easily as compared with in a bamboo scaffolding system, which can reduce the risk of occurrence of accidents; and

(vii) metal scaffolds typically can be used for approximately 10 years while bamboo scaffolds can be used for only approximately 15 months. Given that the replacement rate for bamboo scaffolds is higher than for metal scaffolds, there is an inherent risk that bamboo scaffolds are not replaced on time before the life span of bamboo scaffolds lapses.

Nonetheless, we did not have sufficient working capital nor economies of scale to obtain external funding or acquire and adopt metal scaffolding system to our projects by using our own financial resources. In addition, if we choose to rent the metal scaffolds, our profit margin will be largely affected. With the opportunity of the Share Offer, our Group wishes to enhance our safety plan by acquiring and adopting metal scaffolding system. Unless required by our customers, the metal scaffolds which we plan to acquire will be prioritised in projects with higher risk of work safety.

After suffering the aforesaid, our Directors believe that the improvement of our safety measures is our priority target in our operation, and the promotion of the usage of metal scaffolding system helps to improve our corporate image. On the other hand, the acquisition of sufficient metal scaffolds for project execution requires a significant capital venture, which is unaffordable for our Group based on our current resources without additional financing. However, our Directors considered that the operation of our Group had not grown to a scale that can obtain sufficient funding in equity market in Hong Kong in the past. Meanwhile, if we choose to rent the metal scaffolds, our profit margin will be largely affected as further discussed in the below paragraph head "Comparison between acquiring and renting metal scaffolds" in this section. Therefore, our Group did not adopt any metal scaffolding system to our projects and has improved other safety measures during the Track Record Period, detailed in the paragraph headed "Occupational health and safety" in this section, instead during the Track Record Period. Furthermore, although there were no specified terms in our engagements from our customers for adopting metal scaffolding system to our projects, our Directors noted that some of the major construction works contractors in Hong Kong have applied extensively the metal scaffolding systems in the construction of new buildings and such contractors have also requested its subcontractors to use metal scaffolding system instead of bamboo scaffolding system according to F&S Report. Our Directors believe that the main contractors of our projects or the ultimate property owners of our projects may raise out the same requirement for adopting metal scaffolding system in the future. In addition, our Directors also believe that the metal scaffolding system can bring us with different aspects of economic benefits on top of the improvement of safety control which will be further discussed below. According to the F&S Report, contractors and property owners prefer metal scaffolding system over bamboo scaffolding system. As the metal scaffolding system is steadier and stronger, safety is improved by allowing workers to implement their work more easily and handily, as well as leading to a better performance and quality outcome by the workers.

(b) Enhancing our pricing competitiveness and capturing more business opportunities

As compared with bamboo scaffolding system, the costs for adopting metal scaffolding system is higher. Despite the costs for the use of metal scaffolding system would be relatively high, our Directors believe that our overall financial performance can be improved having considered that:

(i) we will be able to enhance our competitiveness during the tender bidding stage by adopting metal scaffolding system instead of bamboo scaffolding system to the project while aligning with the preference of other contractors and property owners;

(ii) metal scaffolding system may allow us to have more business opportunities of tender and quotation invitations as contractors and property owners prefer metal scaffolding system over bamboo scaffolding system having regard to safety aspects;

(iii) as metal scaffolding system offers us a spacious and stable working platform than bamboo scaffolding system, our Directors believe that the frequency and quality of inspection can be increased due to the fact that metal scaffolding system is an accessible working platform and our project management team can check our subcontractors' work done closely. Defects could be identified by us earlier enabling our subcontractors to remedy the defects in advance. We require our project management team to inspect the work done performed by our subcontractors before inviting our customers to do the final inspection. If we are able to identify the defects as soon as possible, we can avoid the risk to reconstruct the work done due to the defects in our previous works. On the other hand, failure to remedy the defects on time entitles our customer to withhold our payment and may damage our reputation and relationship with our customer. Significant delays may even turn the project into loss-making resulting from the additional costs incurred or cancellation of orders placed by our customer. Our Directors believe that our emphasis with quality control, coupled with the use of metal scaffolding system, enables us to serve our customers with an advanced quality than other market players. As illustrated above, our Directors believe that the cost for rectification of projects defects can be reduced by using metal scaffolding system. Normally, we offer our customers with a defect liability period of 12 months and we require our subcontractors to provide us with the same defect liability period we offered to our customers, and our Directors believe that our subcontractors will consider the potential labour costs for rectification of defects when they submit their quotations to us as the fee quotation provided by our Group to our customers also included an estimated costs for rectification. In addition, as bamboo scaffolds are susceptible to corrosion, adverse weather and environmental conditions and fire, the workers work in a bamboo scaffolding system would spend a lot of time on their personal safety and it is not easy for them to move in a bamboo scaffolding system as compared to metal scaffolding system because the use of safety belt is necessary for working in a bamboo scaffolding system but not necessary in a metal scaffolding system as it is a suitable working platform with guard rail according to our safety policy and the guidelines issued by the Labour Department. Coupled with the fact that workers in bamboo scaffolding system are easier to get nervous, tired, and to act erratically, our subcontractors' workers are less productive and their work may more likely be defective, both of which would require more manpower involved in a project to reduce the risk of delaying the completion of the project. Based on the aforesaid and the best estimation of the management, such estimated costs normally ranged from 1.5% to 3.0% of the contract sum of our projects. Our Directors believe that adopting metal scaffolding system can increase our bargaining power to obtain a lower price from our subcontractors or lower our fee quotation to customers by providing an ideal working platform and reducing the potential project defects;

(iv) bamboo scaffolds rely on the fixing metal brackets attached to the exterior wall of a building as loading points which will cause damage to such exterior wall. As such, upon completion of the works, we are required to rectify the damages to the building. The time and cost for such restoration would be saved if metal scaffolding system is adopted instead, as using metal scaffolds can reduce the damage to the subject building by loading at own structure;

(v) our subcontracting fees can be controlled and reduced by providing our subcontractors with metal scaffolds for project execution instead of charging us the material costs for bamboo scaffolds. In addition, the execution of bamboo scaffolding is highly relied on skilled and experienced scaffolders whereas metal scaffolding is easier to assemble and the quality of working platform is standardised and thus, the labour costs would be reduced. As the quotations provided by our subcontractors included all relevant costs incurred by them, our Group did not incur any rental costs for bamboo scaffolds during the Track Record Period. Based on our Directors' best estimation and the scaffolding related items in the quotations from our subcontractors, the costs of bamboo scaffolding services (including material costs, set up and demolition costs for bamboo scaffolds) incurred by our subcontractors were approximately HK$10.5 million, HK$10.2 million, HK$13.0 million, HK$18.2 million and HK$8.1 million for each of the FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively; and

(vi) as mentioned above, adopting metal scaffolding system can effectively prevent industrial accident.

Moreover, our Directors noted that recently, there were numerous on-going large-scale RMAA projects in Hong Kong under which the customers and/or the relevant Government authorities require the adoption of metal scaffolding system. We received three tender invitations for projects to be applied for metal scaffolding system during the Track Record Period, while we declined all of these three tender invitations with the aggregated estimated tender value amounted to approximately HK$596.0 million. The three declined tender invitations relate to (i) a repair and maintenance project in Sheung Wan with the Directors' estimate of the tender value of approximately HK$460.0 million, (ii) an alteration and addition works in Tsim Sha Tsui with the Directors' estimate of the tender value of approximately HK$120.0 million, and (iii) a façade upgrading, repair and renovation works in Central with the Directors' estimate of the tender value of approximately HK$16.0 million. We declined all of these three tender invitations due to (i) the lack of sufficient working capital to acquire metal scaffolds and (ii) the undesirability of renting metal scaffolds, having considered the significant rental costs and lower profit margin if we use metal scaffolding. Our Directors believe that if we are able to provide our own metal scaffolds for the adoption of metal scaffolding system to our future projects, our subcontracting cost would be lower and the number of relevant tender invitations to us and our tender success rate will increase accordingly having considered the growing application of metal scaffolding system in Hong Kong.

In 2019, we had informal discussions with two potential customers for potential tender invitations related to repair and maintenance projects in Tseung Kwan O and Kwun Tong with the estimated tender value of approximately HK$200.0 million and HK$39.0 million, respectively. Our Directors declined to respond to the tender invitations based on the estimated scale of metal scaffoldings required, available working capital and the process for obtaining external funding to acquire metal scaffolding.

With the growing application of metal scaffolding system in Hong Kong, we intend to position ourselves as one of the leading market players by being the pioneer to adopt the usage of metal scaffolding system in RMAA works. Our Directors believe that more business opportunities can therefore be captured basing on our reputation and competitiveness in using metal scaffolding system.

(c) Responding to government promotion and lining up with the market trend

In 2001, the Occupational Safety and Health Branch of the Labour Department ("**OSH**") has issued "Code of Practice for Metal Scaffolding Safety" to encourage and regulate the adoption of metal scaffolding system of the industry when working at height. The idea is further reinforced by the visit of OSH members to Japan to study on the benchmarking on construction safety in Japan, in which metal scaffolding system is mentioned under the safety equipment and working procedures section. In the construction safety promotional campaign of 2019, qualified and experienced metal scaffolding contractors would be eligible to certain awards as a recognition. By being the pioneer to adopt the usage of metal scaffolding system in RMAA projects, we can also get the recognition from government departments and other major contractors in the market.

According to the F&S Report, the consumption volume of bamboo scaffolds in Hong Kong has increased from approximately 5.0 million sq.m. in 2014 to approximately 5.7 million sq.m. in 2019, driven by the building construction activities, representing a CAGR of approximately 2.7%. On the other hand, the consumption volume of metal scaffolds in Hong Kong recorded a significant growth from approximately 1.1 million sq.m. in 2014 to approximately 1.5 million sq.m. in 2019, representing a CAGR of approximately 6.4%. According to the F&S Report, the Occupational Safety and Health Council has been actively promoting the use of metal scaffolding and platform and delivering training courses to workers on regular basis. Meanwhile, the major construction works contractors in Hong Kong have applied extensively the metal scaffolding systems and have also requested its subcontractors to use metal scaffolding system instead of bamboo scaffolding system for better safety level and enhanced productivity of workers.

(d) Producing less construction waste and being environmentally friendly in the long run

Since January 2006, any person before using waste disposal facilities for disposal of construction waste needs to open a billing account with the Environmental Protection Department and disposal of construction waste would be charged. Equipping ourselves with metal scaffolds allows us to reduce construction waste so that the disposal costs to be incurred can be minimised, which is favourable to the property owners and main contractors. It will further strengthen our competitiveness in the tendering process.

The life span of a bamboo used in scaffolding system is around 15 months. Bamboo tends to lose its resin, and it may crack after 15 months without any prior indication and will be extremely hazardous to affect the stability and safety of the scaffolding system. However, metal scaffolding system has the capacity to withstand a complete lifespan with longer durability. As a matter of fact, metal will be standing as robust as it is, be it heavy rain or intense wind in the case of typhoon. Whereas bamboo would be more fragile when facing natural hazards, causing more wastes as it is prone to be affected in various circumstances.

In terms of promoting a greener environment, metal does not require cutting and wasting of bamboo. While metal scaffolds are mostly renewable, bamboo scaffolds have negatively affected the environment through deforestation. Therefore, the use of metal scaffolding system helps solving the problem of waste material and promotes our Group's corporate image that contributes to sustainable development.

Comparison between acquiring and renting metal scaffolds

In assessing the option of acquiring or renting metal scaffolds, we have compared the total purchase costs with other miscellaneous costs (e.g. depreciation expenses, storage costs and transportation costs) and the total rental costs of metal scaffolds for setting up approximately 100,000 sq.m. of working platform over the estimated useful life of 10 years according to the F&S Report, as follows:

	HK$'000
Approximate yearly expenses for renting the metal scaffolds from third parties *(Note 1)*	19,200
Approximate yearly depreciation expenses following the acquisition *(Note 2)*	(6,000)
Approximate yearly storage costs following the acquisition *(Note 3)*	(720)
Approximate yearly transportation costs (including driver's salary) following the acquisition *(Note 4)*	(595)
Approximate yearly cost saving from the acquisition during the expected useful life	11,885

Notes:

(1) The estimated annual rental costs were computed based on quotations obtained from leasing companies.

(2) The estimated purchase costs for metal scaffolds were estimated based on the quotation obtained from metal scaffold supplier. By applying the straight-line method over the expected useful life of 10 years, the annual depreciation expenses of the metal scaffolds that we plan to acquire would be approximately HK$6.0 million.

(3) The estimated storage costs were estimated based on the rents and management fee for leasing warehouse obtained from property agent.

(4) The estimated transportation costs were estimated based on the quotation for acquiring a lorry obtained from lorry seller. By applying the straight-line method over the expected useful life of five years, the annual transportation costs (i.e. the depreciation expenses of the lorry) would be approximately HK$0.4 million.

Reasons for acquisition

According to F&S Report, the unit material cost for bamboo scaffolds of approximately HK$20 per square metre is cheaper than the unit material cost for metal scaffolds of approximately HK$600 per square metre. Although the gross profit margin of the projects adopting metal scaffolding system is lower than the ones adopting bamboo scaffolding system, our Directors are of the view that adopting metal scaffolding system can allow us to improve our tender success rate, attract tender invitations and to cater for the growing needs for metal scaffolding system in the market, and thus, contribute to our actual revenue growth.

At the same time, our safety plan can be further enhanced. Conversely, the total rental costs of metal scaffolds for setting up approximately 100,000 sq.m. of working platform is approximately 2.6 times more expensive than the total purchase costs with other miscellaneous costs. Therefore, our Directors believe that (i) adopting metal scaffolding system in our RMAA works expands our business scope, further bolster our position in the RMAA works market and enhance our work safety plan; and (ii) acquiring metal scaffolds is more commercially viable and sustainable than renting metal scaffolds.

According to the F&S Report, material cost is a major factor for a subcontractor to prepare tender or quotation to its customers and it is an industry norm for a RMAA contractor to provide metal scaffolds to its subcontractors. In the event that we are not able to provide metal scaffolds to our subcontractors, our subcontracting cost would include (i) labour costs, (ii) material cost and (iii) cost for setting up and demolishing metal scaffolds. If we are able to provide metal scaffolds to our subcontractor, the subcontracting cost would only include labour costs and cost for setting up and demolishing metal scaffolds and therefore, our tender sum would be lower, increasing our chances of being awarded with the contract. In addition, owning metal scaffolds enables us to be flexible with submission of tenders as (i) we would no longer be subject to the fluctuating supply of metal scaffolds in the market, and (ii) it can expand our subcontractor pool, so as to lower the cost for setting up and demolishing metal scaffolds because the execution of bamboo scaffolding is highly relied on skilled and experienced scaffolders whereas metal scaffolding is easier to assemble and the quality of working platform is standardised. According to the F&S Report, the number of metal scaffolds suppliers in Hong Kong is limited, effects of which are twofold: (i) as a time gap exists between our submission of tender or quotation to the execution of works, the rental cost and available stock for metal scaffolds at the time of execution may vary due to unforeseen circumstances, which would not have been accounted for in our submission of tender or quotation. Our gross profit derived would be negatively affected; and (ii) the potential risk of defaulting in our contract is higher if we rely on rental of metal scaffolds from the market, which is unfavourable to our business development. Our Directors believe that acquiring metal scaffolds and directly providing them to our subcontractors can reduce the cost of services and is more commercially viable than indirectly bearing the rental costs of metal scaffolds. Upon acquisition of sufficient metal scaffolds, our Group is able to expand our subcontractor pool to metal scaffolding subcontractors and communicate with them on our intention to provide them with metal scaffolds and our ability to submit a lower quotation without material costs in our future tender invitations.

Due to the relatively higher expenses for renting the metal scaffolds than acquisition of the same, our Directors consider that if we adopt metal scaffolding system for a project by renting of metal scaffolds, the gross profit margin of such project will be largely affected by the expenses of renting of metal scaffolds. Therefore, our Directors consider that rental of metal scaffolds is not in the best interest of our Group from the perspective of financial performance of the Group.

According to the F&S Report, scaffolding is widely applied in the construction works in Hong Kong as a temporary structure for supporting working platform for workers to carry out their building construction works in particular erection of superstructures, as well as renovation, repair and maintenance works in existing buildings. Our Directors are of the view that scaffolding is a common works included in our RMAA services. In addition to the cost saving as illustrated above, by possessing our own metal scaffolds, we have the flexibility to allocating the metal scaffolds in our different RMAA projects without relying on the metal scaffolds leasing companies to support our business operation. The scaffolding service market in Hong Kong is relatively fragmented with around 430 scaffolding contractors (including around 250 metal scaffolding contractors) registered with the CIC in June 2020. Majority of scaffolding service providers in Hong Kong are small-scaled companies offering mainly bamboo scaffolding system to achieve lower operating cost. Stock levels and availability of scaffolding materials (e.g. metal scaffolding system), skilled workforce and reputation are key competitive factors in scaffolding service market. Our Directors aim to adopt the metal scaffolding system to upgrade our construction equipment and enhance our safety measures. The primary objective of our planned acquisition of metal scaffolding system is to support the execution of our own projects in order to improve our safety measures and we are not positioning ourselves as a supplier of metal scaffolds to participate in the scaffolding service market.

With reference to our past experience, we had utilised approximately 85,000 sq.m. of working platform for Project GV, which involved the provision of repair and maintenance and other additional ancillary services to an estate of six buildings with around 25 floors each and the original contract sum of approximately HK$263.0 million. Our Directors estimate that 100,000 sq.m. of working platform can be applied to similar project with contract sum of around HK$300 million and similar area of working platform (i.e. six to eight blocks of buildings with around 25 to 30 floors each). According to the F&S Report, over 40% of buildings are aged over 20 years with height within 100 metres in Hong Kong in 2019. As at the Latest Practicable Date, we have submitted an open tender with an estimated contract sum of approximately HK$421.2 million for a residential project at Shatin and an estimated contract sum of approximately HK$183.5 million for a residential project at Kwun Tong, which requires the contractor to conduct external walls refurbishment with a total area of working platform of approximately 222,500 sq.m. and approximately 115,000 sq.m., respectively. Our Directors consider that we have relatively high chance to be awarded with these two projects and its scaffolding works are expected to commence in the second quarter of 2021 and first quarter of 2022, respectively. Our Directors consider that our planned acquisition of metal scaffolding system will be able to apply to such projects if the Company could be awarded with this project in the second quarter of 2021 and first quarter of 2022, respectively.

In addition, having considered our principal business objective is to further strengthen our market position, increase our market share and capture the growth in the RMAA industry (i.e. securing additional and larger-scale RMAA projects), our Directors believe that even if we are not able to obtain any sizable project which requires over 100,000 sq.m. of working platform successfully, such volume of metal scaffolds can be applied to different projects for the execution of our works. During the Track Record Period, we have handled 51 projects with the total use of approximately 936,690 sq.m. working platform. As such, our Directors are of the view that the target purchasing volume of metal scaffolds is appropriate for us to facilitate the metal scaffolding services.

2. ***Further strengthening our financial position for the purpose of securing additional and large-scale RMAA projects***

We plan to strengthen our position in the RMAA industry, sustain our business growth and create long-term shareholders' value by continuously seeking business opportunities for additional and large-scale RMAA projects in Hong Kong.

Our Group's capacity to take up new and sizable projects is largely limited by our capital resources to fund the start-up cost and expenses, such as cost of site workers (mainly include subcontractors), construction materials, insurance and other site start-up costs. Our Directors are of the view that based on our current available financial resources and capacity, our Group is difficult to undertake additional and large RMAA projects on top of our present scale of operation.

Capability to undertake large-scale RMAA projects

Our Directors believe that we have the capability and expertise to undertake large-scale project with contract sum exceeding HK$300 million in the future due to the facts that (i) we have prior experience for handling projects with contract sum exceeding HK$250 million during the Track Record Period; (ii) the service scope of large-scale projects is similar to the mid-scale projects undertaken by us during the Track Record Period and the difference is mainly related to the coverage of works and building number; (iii) our Group has good experience in project management of different kinds of buildings, such as residential, commercial and industrial buildings; and (iv) as at the Latest Practicable Date, we have one, one and two staff members qualified as TCP T3, TCP T2, and TCP T1, respectively, which normally required by our customers for tendering large-scale projects. However, based on our current available financial resources and manpower, it is difficult for our Group to undertake additional and large-scale RMAA projects. Thus, our Directors are of the view that strengthening our financial position and manpower resources are necessary for our future development.

Having considered that (i) based on our previous experience in RMAA projects and the market norm, we are required to pay in advance or reserve a sum amounting to approximately 5% to 10% of the total contract sum to satisfy the upfront cost and working capital requirements; (ii) contractors shall be required to provide supporting documents of the availability of our liquid assets of approximately 2% of the estimated contract sum to property owner or main contractor for tendering large-scale projects; (iii) we have to maintain certain amount as a reserve for the execution and ongoing operations of large-scale projects; and (iv) the potential liquidity risks will be exposed to us by undertaking large-scale projects, we did not respond to an open tender and declined a tender invitation despite that we were interested in undertaking such projects after evaluating the scope of services, the expected complexity and the work schedule, with the contract sum exceeding HK$800 million and HK$600 million, respectively, in 2018. In addition, for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our trade receivables turnover days were approximately 97.5 days, 176.0 days, 143.8 days, 119.8 days and 150.3 days, respectively, while our trade payables turnover days were approximately 55.0 days, 73.6 days, 74.8 days, 82.9 days and 105.7 days for the corresponding years/period, respectively. Our Group had experienced trade receivables turnover days longer than our trade payables turnover days during the Track Record Period, resulting in a potential cash flow mismatch. Although we had not experienced any material liquidity problem in settling our payables in the normal course of business when they fall due during the Track Record Period, we may expose ourselves to liquidity risks when we expand our business by undertaking large-scale projects without additional funding support.

According to the F&S Report, there were over 1,000,000 private residential building units aged over 20 years in Hong Kong in 2019, including large-scale residential estates that requires renovation in the coming years. Furthermore, according to the F&S Report, RMAA works are normally conducted by phases for several years in large-scale estates, and it is not uncommon for RMAA projects to be conducted in large-scale estates with contract sum of over HK$300 million. Should we be able to undertake a large-scale project, we can enhance our corporate profile, recognition and brand image. On average, the upfront costs payable by us is approximately 5% of the contract sum of the projects. During the Track Record Period, we financed our project upfront costs mostly by our internal resources. Our Directors consider that our working capital requirements for financing project upfront costs will further increase as we undertake additional and large-scale projects in the future. Apart from the actual upfront costs to be paid, according to the F&S Report, contractor shall be required to provide supporting documents of the availability of our liquid assets of approximately 2% of the estimated contract sum to project owner or main contractor for tendering large-scale projects. As at the Latest Practicable Date, our Group has submitted the following tenders and our Directors consider that we have relatively higher chance to be awarded the following tenders having considered that (i) we were shortlisted for tender interview; and (ii) we have been through several rounds of negotiation with respective customer and were requested for further documents:

Particulars of the potential projects	**Submission date of tender**	**Expected project commencement date**	**Estimated contract sum**
			HK$'000
Residential project at Shatin	October 2019	Q2 2021	421,180
Residential project at Kwun Tong	December 2019	Q1 2022	183,491
Residential project at Sham Shui Po	May 2020	Q2 2021	36,273
		Total	640,944

In May 2016, an E-Tendering Platform named "Smart Tender" was launched which is hosted by the Urban Renewal Authority (the "**URA**") which aims at facilitating the private building owners to procure consultant and registered works contractor for RMAA works. Since its establishment and up to 31 January 2019, the URA has received around 700 applications for tendering through "Smart Tender". Out of 700 applications, 570 applications have been approved and only seven cases have finished the tendering process (i.e. appointed contractors to perform RMAA works). According to the F&S Report, "Smart Tender" enables building owners for acquiring more information about the RMAA market and offers the tendering process for the contractors in a fair, unbiased and competitive environment. Having considered the aforesaid, our Directors consider that there are sufficient potential opportunities in relation to RMAA works for our expansion.

Having considered that (i) the market opportunities stated in the F&S Report and the potential tender opportunities from "Smart Tender" as discussed above; (ii) we did not respond to tender opportunities of two large-scale projects in 2018 and also forwent two tender invitations for large-scale projects in May 2019 primarily by reason of we might suffer from tight working capital position, or failed to meet such capital requirements, if such projects would had been awarded to us after our management's assessment; (iii) relatively higher chances to be awarded the aforementioned tenders; (iv) as at the Latest Practicable Date, on top of the aforementioned tenders submitted with relatively higher chances as mentioned above, we have also submitted 43 tenders with an aggregate estimated contract sum of approximately HK$891.4 million which were undergoing tendering process and still pending result; (v) we have been evaluating a tender opportunity for large-scale project and considered the financial requirement to maintain sufficient bank balance; and (vi) the future cash inflow generated from our existing projects and our available financial resources, our Directors are of the view that we have to enhance our available financial resources and strengthen our liquidity position in order to satisfy the requirement of upfront costs and working capital requirements in order to increase our competitiveness and capability for securing and undertaking additional and sizeable RMAA projects. Although total contract value of our projects in backlog as at 31 December 2018 experienced a decrease as compared with the one as at 31 December 2017 from approximately HK$464.4 million to approximately HK$348.6 million, it was mainly due to the fact that (i) we have awarded a commercial and industrial project, project ZF, with the original contract sum of approximately HK$269.8 million in July 2017 and other 16 contracts with the aggregate awarded contract sum of approximately HK$104.0 million in FY2017. To maintain enough resource for Project ZF and other projects, we did not actively secure projects with similar size until the completion of Project ZF in July 2018; and (ii) there were 17 projects which were commenced in or before 2017 and completed in 2018. After that, we have been actively seeking for business opportunities in the market and we have 13 projects in backlog yet to be recognised (including a term contract) and the total contract value of such projects (including variation orders issued by our customers) were approximately HK$670.5 million as at the Latest Practicable Date. In view of our business strategies to strengthen our market position, our Directors consider that (i) our financial resources can only support our existing operation; and (ii) our operating cashflow cannot satisfy our needs for fully capturing the additional projects, and it limits our ability to tender large-scale RMAA projects; (iii) our future plan is to secure large-scale projects which require larger up-front costs and we are lack of financial resources; and (iv) based on our preliminary discussion with the bank, we are given to understand that we can only obtain a bank facility of HK$5 million with the interest rate of 1% plus prime rate and the handling fee of 1% of the loan amount. For obtaining such bank facility, the bank also requires Mr. Yeung and his spouse to provide personal guarantees. Therefore, our Directors believe that we have the needs to raise funds for our future projects. As such, we plan to use approximately HK$24.0 million of the net proceed for satisfy the aforesaid financial requirement.

3. Further strengthening our manpower to cope with our business development

We believe that our success in the RMAA industry is largely attributable to our experienced project management team. To maintain our project quality, we have to sustain certain number of project management team members to oversee and supervise the works done by our subcontractors. As at the Latest Practicable Date, our project management team consisted of 21 employees. On the basis that (i) based on the internal record of the Group, most of our project management team members had an increasing workload in terms of number of projects during the Track Record Period; (ii) our project management team members were generally required to work on several projects simultaneously; and (iii) as at the Latest Practicable Date, we have 21 employees in our project management team, among these 21 employees in our project management team, only 16 employees are directly in charge of the project management and supervision. The remainings include quantity surveyor, safety officer, site clerk and on-site customer service officer, our Directors consider that our current workforce had been fully deployed. Therefore, if we have to undertake several sizeable projects simultaneously with our existing manpower, the work capacity of our project management team would be more occupied and accordingly they might not be able to properly supervise and manage the works undertaken by us and our subcontractors.

According to the F&S Report and our past experience, the property owners and main contractors of large-scale projects generally require the tender candidates to provide their organisation chart for assessing the manpower of the candidates. For large-scale projects, our customers may require our project management team consisting of a certain number of competent licensed personnel to conduct on-site supervision to the project execution. Based on the current information available, our Directors consider that it is necessary to expand our existing project management team to satisfy the qualification requirements of tender submission for large-scale project. With reference to our past experience and the information available to our Directors, customer of a sizable project may require his contractor to have a project management team consisting of one senior project manager (accredited as a member of Hong Kong Institute of Surveyors or equivalent), one project manager (qualified as a TCP T3), two site agents (qualified as a TCP T1) and one registered safety officer, for daily monitor and supervision of project execution. In order to cope with the increasing demand of the RMAA works market and to undertake the potential large-scale projects on top of our present scale of operation in the future, expanding our existing project management team and recruiting relevant experienced licensed personnel is essential. To facilitate the metal scaffolding system that we plan to invest, we will employ a registered structural engineer to supervise the project execution in relation to metal scaffolding system.

In view of our growth in ending value of backlog from approximately HK$71.0 million as at 31 December 2016 to approximately HK$351.5 million as at 31 December 2019, our Directors consider that expanding our team of skilled and experienced employees equipped with appropriate knowledge and qualification in the RMAA industry is crucial to our continual success and to expand our present scale of operation as well as to further enhance our competitiveness in the RMAA industry. In order to maintain our project quality, we have to expand the size of our project management team to satisfy the requirement of human resources for either large-scale projects or additional projects. Further, to meet the safety requirements raised by customers and regulatory authorities, we have to increase the headcount of registered safety officer to ensure our employees and subcontractors' employees to follow our safety management system and maintain a relatively low accident rate.

Moreover, our Directors are of the view that to sustain our business development and expansion of project management team, we plan to employ a marketing expert to actively approach our existing and potential customers for more tender invitations for large-scale projects and identify the business opportunities in the market and enhance the marketing promotion of our RMAA and metal scaffolding services. We also intend to hire a qualified certified public accountant to enhance the preparation of management accounts and analysis of budget revenue and costs.

Due to the above reasons, we believe it is crucial to expand our human resources by recruiting more staff with different aspects of expertise, qualifications and experience in light of the anticipated growth in our business, increasing scale and number of the projects to be undertaken by us and our plan to acquire metal scaffolds.

In conclusion, we intend to strengthen our manpower and increase our available working capital as well as promote our metal scaffolding system service to distinguish ourselves from other market players. Our Directors will actively approach our existing and potential customers and identify the business opportunities from open market, such as "Smart Tender". In May 2019, we have received two tender invitations with the estimated contract sum of HK$1,100 million and HK$600 million, respectively. Due to a sizable project with the original contract sum of approximately HK$250.0 million awarded to us in May 2019 and our limited manpower and financial resources, our Directors forwent to response these tender invitations. As at the Latest Practicable Date, we have 46 submitted tenders with an aggregate estimated contract sum of approximately HK$1,532.3 million which were undergoing tendering process and still pending result. Our Directors believe that if our Group is able to raise sufficient funds to implement our future plans by equity financing, we can capture the growth in the RMAA industry and secure additional and large-scale projects.

OUR BUSINESS MODEL

During the Track Record Period, we primarily acted as a subcontractor in our projects or, to a lesser extent, as a main contractor. We normally engage subcontractors to carry out the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specifications and that projects are completed on time and within budget.

Our Directors consider that as a RMAA works subcontractor, we play an important role of providing customers with comprehensive repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, design of new structural works and checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

Our Directors believe that main contractors tend to award RMAA works contracts to us (instead of directly dealing with our subcontractors) having considered the following:

- By acting as a project management role, we oversee and supervise the works conducted by our subcontractors and are able to ensure their conformity to contractual specifications and facilitate the completion of the projects on time and within budget, which may not be readily provided by our subcontractors. For large-scale projects, as a subcontractor, we generally subcontract different parts of our projects to different subcontractors under our close supervision. We focus on (i) the supervision of RMAA works carried out by our subcontractors with a view to ensuring the conformity of the RMAA works with the contractual specifications required by the main contractors as well as the overall quality of the RMAA works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the site workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the RMAA works. In addition, we are able to facilitate the implementation by selecting quality subcontractors through evaluation of their performance based on factors such as their technical capabilities, experience, service quality, availability of labour resources, reputation and safety compliance. We also carry out quality control over the quality of RMAA works of our subcontractors. Works performed by our subcontractors are inspected and monitored by our on-site personnel of project management team based on our in-house rules in relation to work quality, occupational safety and environmental protection as well as the requirements of our customers and the ISO 9001, ISO 14001 and OHSAS 18001 standards. For further details of our quality control measures, please refer to the paragraph headed "Quality control" of this section.

- Based on our previous experience in RMAA projects and the market norm, (i) we are generally required to pay in advance or reserve a sum amounting to approximately 5% to 10% of the total contract sum to satisfy the upfront cost and working capital requirements; (ii) contractors shall be required to provide supporting documents of the availability of our liquid assets of approximately 2% of the estimated contract sum to property owner or main contractor for tendering large-scale projects; and (iii) we have to maintain certain amount as a reserve for the execution and ongoing operations of large-scale projects. Our subcontractors may not have sufficient financial resources to mitigate the aforesaid liquidity risk.

- We understand our customers' needs and have a proven track record as a reliable RMAA subcontractor. Our Group has over 20 years of operating history in the RMAA industry in Hong Kong. Our Group has an experienced project management team whose members possess in-depth knowledge of the RMAA works. We are led by Mr. Yeung, the chairman of our Board and our executive Director, who has over 20 years of experience in the construction industry and has been fundamental to our historical development. Our chief executive officer and executive Director, Mr. Chan, has over 25 years of experience in the construction industry and has joined us since 2013 and also acts as the AS and TD of HDC. Over the years, we have developed a wealth of knowledge, experience and understanding on our customers' need concerning project management of RMAA works which may not readily be replicated by our subcontractors.

For the projects we acted as main contractor, we are also responsible for the overall management, implementation and supervision of projects, including preparation of engineering design and technical submission, devising detailed work programmes and coordination with customers or their consultants.

Our services

During the Track Record Period, we mainly undertake the repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, the design of new structural works and the checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

Furthermore, our Group, as a Registered General Building Contractor, is qualified to assist our customers to prepare technical submissions and submit relevant forms in accordance with the requirements of the Buildings Ordinance for the alteration and addition works.

OUR LICENCES AND QUALIFICATIONS

As confirmed by our Directors and advised by our Legal Counsel, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material licences, permits and registrations required for carrying on our business activities. The following table sets out a summary of our material licences and qualifications that our major operating subsidiary, HDC, has obtained:

Relevant Government department or public organisation	Category	Date of first registration	Date of next renewal
Buildings Department	Registered General Building Contractor	25 January 2000	3 May 2021
Electrical and Mechanical Services Department	Registered Electrical Contractor	15 January 2005	14 July 2023

In October 2017, HDC has submitted an application to the Buildings Department for the renewal registration of Registered General Buildings Constructor. Due to the inadvertent error made by Mr. Chan to the submitted application form, the Buildings Department has refused our application in January 2018 and removed our registration from the register of Registered General Building Contractor in February 2018. After our clarification and rectification on the error in the restoration application, the Buildings Department has accepted our renewal application in May 2018. During the period without registration as Registered General Building Contractor, our Group had subcontracted to another Registered General Building Contractor to carry out the works so as to comply with the relevant requirements under the Buildings Ordinance. As advised by our Legal Counsel, such arrangement did not violate any laws and regulations and there is no legal impediment for the application and/or renewal and/or maintenance of the relevant registration. Our Directors confirmed that save as the above incident, we had not experienced any material difficulty in renewing such certificates, permits and licences since our first registration.

Authorised Signatory and Technical Director

As at the Latest Practicable Date, both the roles of Authorised Signatory and Technical Director for our registration as Registered General Building Contractor were taken up by Mr. Chan. In this connection, we have the following succession and contingency plan in place:

The role of Authorised Signatory

As at the Latest Practicable Date, Mr. Cheung Sam Fai ("**Mr. Cheung**") who is our senior project manager and a member of our senior management, possessed the relevant qualifications and experience in meeting the requirements imposed by the Building Authority for the position of the Authorised Signatory for our qualification as Registered General Building Contractor. As advised by the Legal Counsel, the Practice Note for Registered Contractors No. 38 issued by the Buildings Department provides for fast-track process for the addition of Authorised Signatory under special circumstances such as sudden illness, accident, death, or resignation without adequate prior notice of the only Authorised Signatory of a contractor. Subject to the fulfilment of certain conditions including those in relation to the documentary proof of the special circumstances and the qualifications and records of the proposed new Authorised Signatory, the Building Authority will normally issue the letter of the result of the application within seven working days from the date of receipt of the application under fast-track processing.

Our Group has readily available candidates for the position of Authorised Signatory in the event of departure of Mr. Chan from our Group. Mr. Cheung possesses the required qualifications and experience for being an Authorised Signatory. Therefore, the Legal Counsel is of the view that, in the event of unforeseen departure of Mr. Chan from our Group under the special circumstances specified in the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, we are entitled to proceed with the above fast-track process for the addition of Mr. Cheung as an Authorised Signatory of our registration as RGBC. Further, as advised by the Legal Counsel, the Practice Note for Registered Contractors No. 59 issued by the Buildings Department provides that in case of temporary absence of the Authorised Signatory, the Buildings Department allows a contractor to nominate another person (who can be an Authorised Signatory acting for another contractor) to act for it temporarily subject to a temporary acting period of up to 14 days normally (or up to 30 days when extensions are applied for with evidence of special circumstances, such as illness). Therefore, in case there is a temporary absence of Authorised Signatory due to the departure of our existing personnel, we can nominate a qualified personnel to fill up the position.

The role of Technical Director

Pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, if there is no Technical Director acting for a contractor, the contractor is required to suspend all works only if an acceptable replacement is not appointed within a reasonable period of time (though the exact period of time is not specified). For the processing of application for approval as Technical Director, the Practice Note for Registered Contractors No. 38 does not specify the period of time it normally takes, but to the best of our Directors' knowledge, the normal processing time for such application is approximately one month, subject to specific circumstances pertaining to each application.

Our Group has readily available candidates for the position of Technical Director in the event of departure of Mr. Chan from our Group. Mr. Cheung possesses the relevant qualifications and experience for being a Technical Director. Based on the advice of the Legal Counsel, provided that our Group files the application for a qualified individual as replacement as soon as practicable after the departure of our existing Technical Director, the risk of HDC being required to suspend its works as discussed above is remote. In view of (i) the time frame and process provided by the Buildings Department for appointing replacement for the positions of Authorised Signatory and Technical Director, and (ii) our readily available candidates as replacement, our Directors consider that the risk of disruption to our operation in the event of unforeseen departure of Mr. Chan is remote.

OUR CERTIFICATIONS AND AWARDS

As at the Latest Practicable Date, we have been awarded of the following certificates in recognition of our efforts in management system:

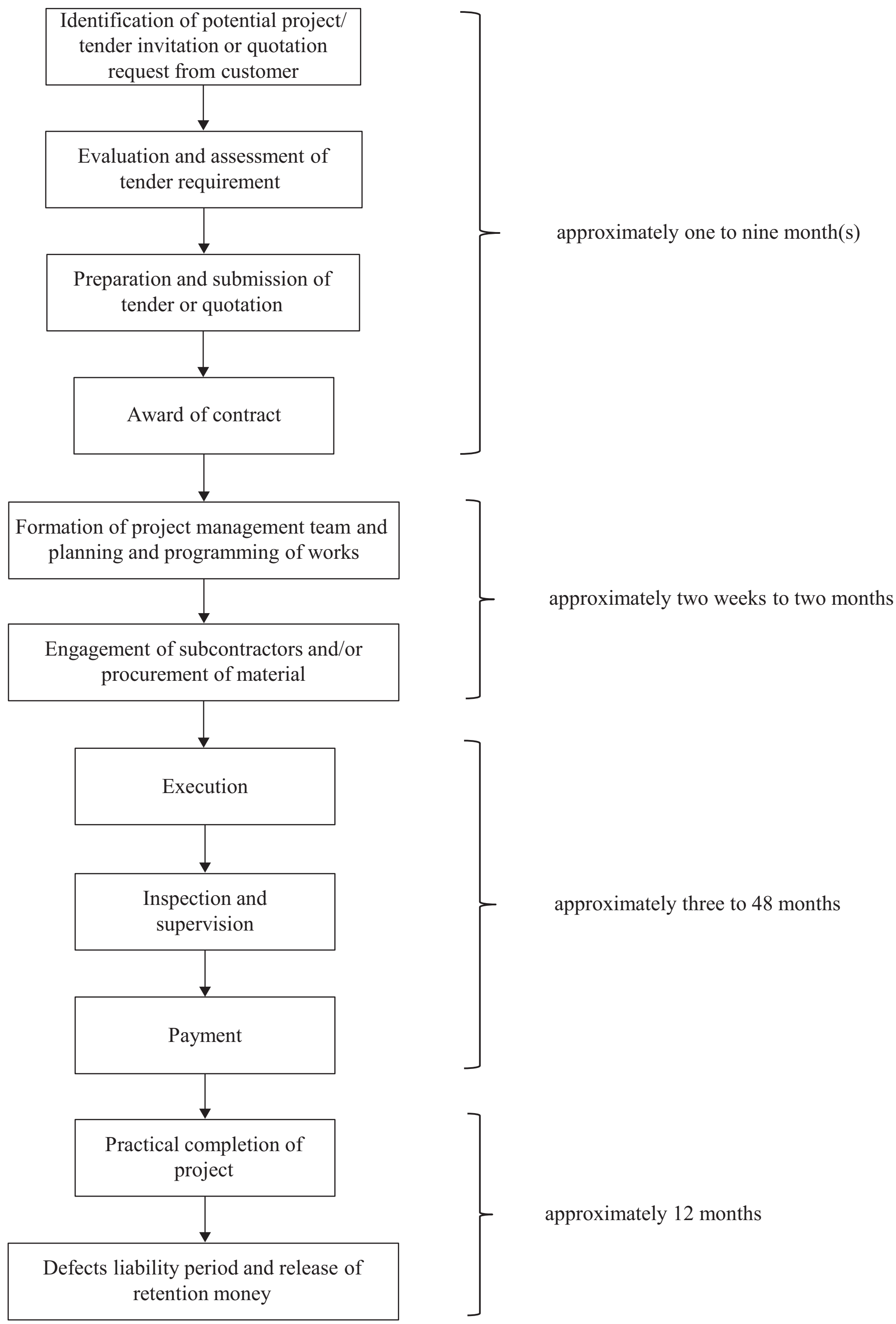
Certifications and awards	Valid period	Awarding entity	Entity awarded
ISO 9001:2015 (Building activities to keep, restore and improve the facilities of buildings and surroundings)	23 March 2019 – 22 March 2022	CASTCO Certification Services Limited	HDC
ISO 14001:2015 (Building activities to keep, restore and improve the facilities of buildings and surroundings)	23 March 2019 – 22 March 2022	CASTCO Certification Services Limited	HDC
OHSAS 18001:2007 (Building activities to keep, restore and improve the facilities of buildings and surroundings)	23 March 2019 – 11 March 2021[Note]	CASTCO Certification Services Limited	HDC

Note: As at the Latest Practicable Date, we have submitted the renewal application for such certification. Our Directors confirmed to their best knowledge that there is no impediment to the renewal.

From time to time, we have received a number of testimonial letters from our customers after the completion of our works. Our Directors consider that these recognitions from our customers were a result of our relentless effort in providing quality works and they give us an advantage for maintaining existing customers and securing new business opportunities.

OPERATION FLOW

The flow chart summarising the usual workflow of a project is set out below:



Tender invitation or quotation request from customer

During the Track Record Period, we approached our existing and potential customers and secured new businesses mainly through (i) open tenders published in local newspaper or website and (ii) direct invitation for tender or quotation by our customers or their consultants. Together with the tender and quotation request, our customers will also provide us with the specifications and drawings.

Evaluation and assessment of tender requirement

Our tendering team generally consists of executive Directors, senior project manager and quantity surveyors. They assist our executive Directors on the evaluation and assessment of a potential project. We would consider (i) the specifications and drawings of the potential project; (ii) the duration of the potential project; (iii) the location and conditions of the construction site; (iv) cost of materials and subcontracting; (v) the resources availability; and (vi) our previous experience with such customer. Subject to the site conditions, we may also conduct site visits at which the project is to be undertaken in order to obtain a better understanding of the site and the complexity of the works to be involved.

Our executive Director will then decide whether the potential project to be acceptable after considering all relevant factors.

Preparation and submission of tender or quotation

If we decide to pursue a potential project after our assessment, we will commence preliminary work for the preparation of tender documents. We then determine the tender price primarily based on cost estimation and a profit margin. For the preparation of tender proposals or quotations, we will obtain quotations from subcontractors for the works to be subcontracted.

Our tendering team will then prepare tender documents including (i) construction programme with estimated timeframe for each stage; (ii) schedule of rates; and (iii) site safety supervision plan in accordance with the specifications provided by our customers. Our executive Directors, with the assistance from our tendering team, will negotiate with our customers on the proposed tender sum and then finalise the tender documents, especially the pricing of items and the final tender sum to ensure our tender remains competitive and at the same time, maintains the profit margin based on their experience and knowledge of the construction industry.

Award of contract

After finalising our tender proposals, we will make tender submissions to our customers. Upon receipt of our tenders, our customers may further issue tender enquiries or conduct tender interviews with us in order to clarify the particulars of our submitted tender and to negotiate and finalise the terms of the contract. If our tender bid is successful, our customers may confirm our engagement by way of entering into a formal contract with us.

The following table sets out the statistics of our tenders during the Track Record Period:

	FY2016	FY2017	FY2018	FY2019	For the nine months ended 30 September 2020
Number of tenders and quotations submitted	66	86	80	51 *(Note 2)*	31 *(Note 2)*
Number of contracts awarded *(Note 1)*	13	17	17	12	9
Success rate *(Note 1)*	19.7%	19.8%	21.3%	23.5%	29.0%

Notes:

1. Success rate for a financial year was calculated based on the number of successful tenders (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year. The calculation has excluded the tenders and quotations submitted but pending results as at the Latest Practicable Date.

2. As at the Latest Practicable Date, we have 15 and 17 submitted tenders in FY2019 and the nine months ended 30 September 2020 with an aggregate estimated contract sum of approximately HK$750.2 million and HK$290.4 million which were undergoing tendering process and still pending result.

With respect to our Group's tendering strategy, we take into account the manageability and profitability of projects with reference to our resources and capacity. As such, in order to avoid exceeding our Group's capacity and having adverse impact to our performance resulting from excessive tendering, we may decline to respond to tender and quotation invitations. However, on some occasions, even though the work schedule for the potential projects may be tight for us after weighing up our available resources, we still respond to our customers' invitations by submitting tenders and quotations instead of turning them down so long as we have any capacity to cater to the work schedule of such customers. 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 or quotation price to become less competitive than those submitted by our competitors. Having considered our tendering strategy, the number of contracts awarded during the Track Record Period and the number of projects in backlog as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, 30 September 2020 and the Latest Practicable Date, our Directors consider that our overall tendering performance during the Track Record Period has been satisfactory.

Formation of project team and planning and programming of works

Once our engagement is confirmed, a specific project management team would be formed, the size of which depends on the scale and complexity of works undertaken. We then finalise the plan for carrying out the entire project as well as the cost allocation plan detailing materials and subcontractors involved in the project.

Our project management team generally includes the following core members: project manager, quantity surveyor, site agent, safety officer and site supervisor. Our project management team is responsible for overseeing the project execution, identifying on-site issues, seeking for possible remedial actions and reporting working progress to our executive Directors on a regular basis. Set out below are some general duties performed by the key personnel:

(a) Project manager

Our project manager is mainly responsible for communicating with the customers on the project status, reviewing the progress report and site daily record prepared by our site agent. Our project manager also keeps monitoring on the cost allocation plan and project schedule, in order to ensure the project can be executed effectively and there will not be any cost overrun.

(b) Quantity surveyor

Our quantity surveyor is responsible for inspecting the work progress on the site, checking with our project manager for the updated progress status, and preparing the payment application. For progress monitoring purpose, our quantity surveyor is required to update our project manager the latest certified progress of the project.

(c) Site agent

Our site agent is responsible for preparing the site daily record to properly record. Our site agent also assists the project manager by providing site daily record for review and management.

(d) Safety officer

Our safety officer is responsible for closely monitoring our subcontractors following established safety policies and regulations to carry out construction works and conduct regular site safety inspection and provide safety training to our subcontractors. If there is any work-related accident occurred, our safety officer is also responsible to conduct accident investigation, prepare a remedial plan and report to our executive Directors and the project manager as well as our customers.

(e) Site supervisor

Our site supervisor is responsible for supervising our subcontractors on site.

Engagement of subcontractors and/or procurement of construction materials

We normally engage subcontractors to carry out the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specifications and that projects are completed on time and within budget. The works we subcontract to our subcontractors are generally labour intensive, such as scaffolding, plastering, painting, improvement of fire services system, waterproofing, fitting-out works, and plumbing and drainage works. Based on our finalised cost plan and the preliminary quotations obtained from subcontractors, we will further finalise the engagement with subcontractors.

We generally require our subcontractors to bear the cost of construction materials. On some occasions, materials may be procured by us on our own account for the use of our subcontractors or our customers may purchase materials on our behalf and such accounts are subsequently settled under contra-charge arrangement. Materials are procured by us on a project-by-project basis to meet the estimated demand according to the work schedule of the projects.

For further details, please refer to the paragraph headed "Our suppliers" in this section.

Execution

We may be required to carry out construction works according to the designs and work plans as set out in the tender documents as well as customers' requirements. We follow up with the representatives of subcontractors regularly to review the progress and quality of the project and to resolve any problems encountered.

Our executive Directors and project management team will closely monitor our projects by having regular on-site meeting with our customers and subcontractors to ensure we have complied with all statutory requirements and delivery of work done will be in accordance with timeframe and our customers' requirements in order to mitigate the risk of delay in completing our projects.

Our customers may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Where the works under the variation order is the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with the provision of schedule of rates in the contracts. If there were no equivalent or similar items under the contracts for reference, we will further agree upon the adjustment in contract price with our customers.

Inspection and supervision

Our quantity surveyor would carry out in-house quality inspection and supervision during project execution in accordance with our in-house quality management systems which are in conformity with the requirements of the ISO 9001 standards in order to ensure compliance with our customers' specifications and requirements. For further information regarding our quality management systems, please refer to the paragraph headed "Quality control" below in this section.

Payment

Based on the amount of work completed, we would generally submit to our customer an interim payment application on a monthly basis detailing the amount and the value of our work done.

Upon receiving our payment application, our customer will appoint an authorised person or an external consultant to examine our portion of work completed and would endorse our payment application or issue a payment certificate certifying the work progress after the examination. We will then issue an invoice to our customer for their settlement based on such payment certificate.

Our customers will usually withhold up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project. In general, the first half of the retention money will be released upon the practical completion of project and the remaining will be released after the completion of defects liability period specified in the relevant contracts.

Our customers would then make payment to us, net of agreed retention money and other miscellaneous charges.

Practical completion of project

After we have completed all the RMAA works and our customers have certified our works as duly completed, our customers will issue a certificate to confirm the practical completion of our works under the contract without apparent defects. After the issuance of certificate of practical completion, our customers will release half of the retention money to us.

Defects liability period and release of retention money

The issuance of certificate of practical completion marks the commencement of the defects liability period, which is generally 12 months, during which we are liable to performing the rectification work on construction defects subsequently identified by our customers.

At the end of the defects liability period, our customer would issue certificates of maintenance to confirm that our obligations of rectification have been completed. After the completion of defects liability period specified in the relevant contracts, our customers usually release the remaining retention money to us. Our project management team will also follow up with customers with regards to any variation order made and reach settlement on the final accounts.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material financial or operational impact in rectification of project defects.

OUR PROJECTS

Our projects undertaken during the Track Record Period

During the Track Record Period, most of our projects were project-based while some were term contract based. The following table sets out the breakdown of our revenue during the Track Record Period by reference to our role in the project and contract nature:

									Nine months ended 30 September			
	FY2016		**FY2017**		**FY2018**		**FY2019**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Project-based												
Subcontractor	129,071	69.4	222,815	96.6	292,615	96.9	292,325	87.5	222,503	87.1	218,670	92.2
Main contractor	42,589	22.9	2,059	0.9	4,023	1.3	5,274	1.6	4,263	1.7	3,600	1.5
Term-contract based	14,315	7.7	5,684	2.5	5,340	1.8	36,650	10.9	28,808	11.2	14,832	6.3
Total	185,975	100.0	230,558	100.0	301,978	100.0	334,249	100.0	255,574	100.0	237,102	100.0

During the Track Record Period, based on the type of buildings, our project can be categorised into three types: (i) residential buildings; (ii) commercial and industrial buildings; and (iii) institutional organisation. The following table sets out our revenue during the Track Record Period by reference to the type of buildings:

	FY2016		FY2017		FY2018		FY2019		Nine months ended 30 September 2019		Nine months ended 30 September 2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Residential	142,616	76.7	87,878	38.1	86,044	28.5	183,156	54.8	145,560	57.0	147,768	62.3
Commercial and industrial	43,359	23.3	141,294	61.3	215,934	71.5	151,093	45.2	110,014	43.0	89,334	37.7
Institutional organisation	Nil	0.0	1,386	0.6	Nil	0.0	Nil	0.0	Nil	0.0	Nil	0.0
Total	185,975	100.0	230,558	100.0	301,978	100.0	334,249	100.0	255,574	100.0	237,102	100.0

For each of the FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, there were, respectively, 33, 28, 41, 26 and 24 projects which contributed approximately HK$186.0 million, HK$230.6 million, HK$302.0 million, HK$334.2 million and HK$237.1 million, respectively, to our revenue. The following table sets out the breakdown of such projects based on their respective revenue recognised during the Track Record Period:

	FY2016		FY2017		FY2018		FY2019		Nine months ended 30 September 2019		Nine months ended 30 September 2020	
	Number of projects	*Revenue HK$'000*	*Number of projects (Note 1)*	*Revenue HK$'000*	*Number of projects (Note 2)*	*Revenue HK$'000*	*Number of projects (Note 3)*	*Revenue HK$'000*	*Number of projects (Note 4)*	*Revenue HK$'000*	*Number of projects (Note 5)*	*Revenue HK$'000*
Revenue recognised												
HK$10 million or above	5	120,887	5	168,231	6	217,008	9	290,004	7	209,343	7	207,352
HK$5 million to below HK$10 million	6	37,798	5	33,575	7	48,421	2	14,595	3	21,865	3	22,681
HK$1 million to below HK$5 million	9	21,409	9	24,991	13	31,809	10	28,594	9	22,969	3	3,756
Below HK$1 million	13	5,881	9	3,761	15	4,740	5	1,056	3	1,397	11	3,313
	33	185,975	28	230,558	41	301,978	26	334,249	22	255,574	24	237,102

Notes:

1. Out of the 28 projects which contributed revenue to the FY2017, 14 projects also contributed revenue to the FY2016.

2. Out of the 41 projects which contributed revenue to the FY2018, eight projects and 16 projects also contributed revenue to the FY2016 and FY2017, respectively.

3. Out of the 26 projects which contributed revenue to the FY2019, one project, one projects and 14 projects also contributed revenue to the FY2016, FY2017 and FY2018, respectively.

4. Out of the 22 projects which contributed revenue to the nine months ended 30 September 2019, one project, one project and 14 projects also contributed revenue to the FY2016, FY2017 and FY2018, respectively.

5. Out of the 24 projects which contributed revenue to the nine months ended 30 September 2020, one project, one project, nine projects and 13 projects also contributed revenue to the FY2016, FY2017, FY2018 and FY2019, respectively.

The following table sets out the details of our completed projects (including 67 project-based contracts and 10 term-contracts) during the Track Record Period, in decreasing order by original contract sum:

Project-based contract

Number	Project code	Customer	Our role	Type of development	Project period (Note 1)	Original contract sum (Note 2) *HK$'000*	Revenue recognised for FY2016 *HK$'000*	Revenue recognised for FY2017 *HK$'000*	Revenue recognised for FY2018 *HK$'000*	Revenue recognised for FY2019 *HK$'000*	Revenue recognised for the nine months ended 30 September 2020 *HK$'000*	Overall gross profit margin *%*
1	ZF	Suntec Construction & Engineering Limited ("**Suntec**") *(Note 3)*	Subcontractor	Commercial and industrial	July 2017–July 2018	269,848	—	96,641	142,346	—	—	13.5
2	GV	Customer B *(Note 3)*	Main contractor	Residential	November 2013–July 2016	262,953	30,015	—	—	—	—	32.7
3	Tg	Customer M *(Note 4)*	Main contractor	Residential	March 2012–July 2016	139,300	1,794	—	—	—	—	1.3
4	LYSC	Customer E *(Note 3)*	Main contractor	Residential	November 2013–February 2016	123,392	6,841	—	—	—	—	6.2
5	VC	Shun Shing Contractors Limited ("**Shun Shing**") *(Note 3)*	Subcontractor	Residential	October 2018–September 2020	116,163	—	—	23,221	80,879	17,076	27.7
6	SCC	Customer A *(Note 3)*	Subcontractor	Residential	March 2016–December 2016	52,075	41,983	—	—	—	—	4.2
7	IIC	Apex Building & Engineering Company Limited ("**Apex**") *(Note 3)*	Subcontractor	Commercial and industrial	August 2018–January 2020	47,800	—	—	10,473	37,083	244	16.6
8	KSC	Customer W *(Note 3)*	Subcontractor	Commercial and industrial	October 2019–September 2020	44,000	—	—	—	20,344	23,656	30.0
9	WB	Kin Po Construction Company ("**Kin Po**") *(Note 3)*	Subcontractor	Residential	April 2017–August 2018	36,000	—	27,640	8,360	—	—	18.3
10	SWG	King Wah Construction (H.K.) Company Limited ("**King Wah**") *(Note 3)*	Subcontractor	Residential	November 2016–November 2018	31,894	22,000	6,800	3,093	—	—	15.7
11	YKB	Po Fat Construction Company Limited ("**Po Fat**") *(Note 3)*	Subcontractor	Residential	October 2016–October 2018	29,120	7,041	15,538	6,541	—	—	7.3
12	ACC	San Hoi Ming Construction Engineering Company Limited ("**San Hoi Ming**") *(Note 3)*	Subcontractor	Commercial and industrial	July 2018–July 2019	25,665	—	—	14,039	11,626	—	26.4

Number	Project code	Customer	Our role	Type of development	Project period (Note 1)	Original contract sum (Note 2) *HK$'000*	Revenue recognised for FY2016 *HK$'000*	Revenue recognised for FY2017 *HK$'000*	Revenue recognised for FY2018 *HK$'000*	Revenue recognised for FY2019 *HK$'000*	Revenue recognised for the nine months ended 30 September 2020 *HK$'000*	Overall gross profit margin *%*
13	HKP	Tactful Construction & Engineering (HK) Limited ("**Tactful**") *(Note 3)*	Subcontractor	Commercial and industrial	June 2016– February 2018	22,060	7,571	13,875	614	—	—	19.8
14	MFIB	Sun Cheong Construction Company Limited ("**Sun Cheong**") *(Note 3)*	Subcontractor	Commercial and industrial	August 2019– July 2020	18,200	—	—	—	10,920	7,280	20.0
15	TPI	Tactful	Subcontractor	Commercial and industrial	January 2016– December 2017	17,200	10,817	6,383	—	—	—	0.0
16	CPCB	San Hoi Ming	Subcontractor	Commercial and industrial	August 2018– April 2020	16,900	—	—	3,474	13,181	246	15.4
17	WHM	San Hoi Ming	Subcontractor	Residential	October 2018– January 2020	16,600	—	—	4,965	10,910	725	31.3
18	MFB	Apex	Subcontractor	Residential	January 2016– May 2017	16,435	16,072	849	—	—	—	6.6
19	WTB	Po Fat	Subcontractor	Residential	June 2017– March 2018	16,000	—	14,537	1,463	—	—	9.4
20	YYS	Suntec	Subcontractor	Commercial and industrial	June 2018– December 2018	16,000	—	—	16,000	—	86 *(Note 5)*	11.7
21	KWB	Customer N *(Note 6)*	Subcontractor	Residential	October 2017– November 2018	13,021	—	5,114	7,907	—	—	15.0
22	TPCC	Trans-world Construction Engineering Limited ("**Trans-world**") *(Note 3)*	Subcontractor	Commercial and industrial	November 2019– September 2020	12,160	—	—	—	1,733	10,427	15.0
23	WH(P&D)	San Hoi Ming	Subcontractor	Residential	November 2018– February 2020	12,000	—	—	7,178	3,756	1,067	34.8
24	EGB	Trans-world	Subcontractor	Commercial and industrial	April 2018– December 2018	10,928	—	—	10,928	—	—	30.0
25	KIB(E)	San Hoi Ming	Subcontractor	Commercial and industrial	July 2017– December 2017	9,600	—	9,600	—	—	—	29.2
26	WH(AC)	San Hoi Ming	Subcontractor	Residential	August 2018– December 2019	8,600	—	—	5,225	3,375	—	23.5
27	CC	Apex	Subcontractor	Residential	January 2018– June 2019	8,000	—	—	7,619	382	—	26.2
28	WCIB	Tran-world	Subcontractor	Commercial and industrial	September 2017– July 2018	7,500	—	5,678	1,822	(530)	—	20.0
29	WLIB	Customer O *(Note 7)*	Subcontractor	Commercial and industrial	July 2018– July 2020	7,400	—	—	3,334	3,531	535	40.9
30	WTIB	Po Fat	Subcontractor	Commercial and industrial	May 2019– December 2019	7,175	—	—	—	7,755	—	16.4

Number	Project code	Customer	Our role	Type of development	Project period (Note 1)	Original contract sum (Note 2) *HK$'000*	Revenue recognised for FY2016 *HK$'000*	Revenue recognised for FY2017 *HK$'000*	Revenue recognised for FY2018 *HK$'000*	Revenue recognised for FY2019 *HK$'000*	Revenue recognised for the nine months ended 30 September 2020 *HK$'000*	Overall gross profit margin *%*
31	WM	Tran-world	Subcontractor	Residential	March 2018– August 2019	7,056	—	—	5,593	1,463	—	20.0
32	SM	Apex	Subcontractor	Residential	July 2016– April 2017	6,365	5,193	957	215 *(Note 5)*	—	—	12.0
33	MKB	Apex	Subcontractor	Residential	January 2016– May 2017	6,000	5,851	149	—	—	—	11.5
34	YTB	San Hoi Ming	Subcontractor	Residential	November 2018– August 2019	5,700	—	—	1,161	4,539	—	31.6
35	NFB	Customer O	Subcontractor	Residential	September 2016– September 2017	5,200	2,805	2,395	—	—	—	13.5
36	TFB	Customer O	Subcontractor	Commercial and industrial	January 2016– October 2016	5,000	4,994	—	—	—	—	46.7
37	SB	Trans-world	Subcontractor	Residential	October 2017– September 2018	4,960	—	4,466	494	—	—	20.0
38	HFB	Customer O	Subcontractor	Residential	January 2017– October 2018	4,313	—	3,970	393	—	—	18.6
39	CKST	Customer V *(Note 12)*	Subcontractor	Commercial and industrial	May 2019– June 2020	4,000	—	—	—	3,526	474	20.0
40	WIC	Sun Cheong	Subcontractor	Commercial and industrial	August 2018– October 2018	3,541	—	—	3,541	—	—	20.0
41	MHB	San Hoi Ming	Subcontractor	Residential	August 2017– April 2018	3,000	—	2,814	186	—	—	25.1
42	PH	Tactful	Subcontractor	Residential	August 2016– January 2019	2,992	1,844	583	—	—	—	10.1
43	KIB(P&D)	San Hoi Ming	Subcontractor	Commercial and industrial	September 2017– February 2018	2,700	—	2,700	—	—	—	18.5
44	PO1128744	Customer E	Main contractor	Commercial and industrial	June 2019– October 2019	2,657	—	—	—	2,657	—	5.0
45	MHIB	Customer O	Subcontractor	Commercial and industrial	August 2016– December 2016	2,081	2,081	—	—	—	—	3.2
46	HYB	Customer O	Subcontractor	Residential	September 2018– December 2018	2,055	—	—	2,055	—	—	50.3
47	HC(2018)	Customer Q *(Note 8)*	Main contractor	Commercial and industrial	April 2018– February 2019	1,991	—	—	1,871	1,412	—	38.8
48	PS	Customer R *(Note 9)*	Main contractor	Institutional	July 2017– August 2017	1,366	—	1,386	—	—	—	22.3
49	HC(2)	Customer Q	Main contractor	Commercial and industrial	March 2016– March 2016	953	974	—	50 *(Note 5)*	—	—	11.0
50	PO1114648	Customer E	Main contractor	Commercial and industrial	December 2017– April 2018	809	—	—	809	—	—	6.0
51	PO1128067	Customer E	Main contractor	Commercial and Industrial	May 2019– September 2019	768	—	—	—	768	—	5.0

Number	Project code	Customer	Our role	Type of development	Project period (Note 1)	Original contract sum (Note 2) *HK$'000*	Revenue recognised for FY2016 *HK$'000*	Revenue recognised for FY2017 *HK$'000*	Revenue recognised for FY2018 *HK$'000*	Revenue recognised for FY2019 *HK$'000*	Revenue recognised for the nine months ended 30 September 2020 *HK$'000*	Overall gross profit margin *%*
52	HC(3)	Customer Q	Main contractor	Commercial and industrial	April 2016– April 2016	735	1,234	—	(34)	—	—	5.1
53	PO1106604	Customer E	Main contractor	Commercial and industrial	August 2017– April 2018	678	—	678	33	—	—	6.0
54	HC(4)	Customer Q	Main contractor	Commercial and industrial	June 2016– June 2016	620	809	—	(34)	—	—	12.9
55	PO1114737	Customer E	Main contractor	Commercial and industrial	April 2018– September 2018	616	—	—	616	—	—	6.0
56	PO1059604	Customer E	Main contractor	Commercial and industrial	April 2015– December 2018	575	—	—	106	—	—	7.0
57	FCS	Customer S *(Note 10)*	Subcontractor	Residential	January 2016– July 2016	523	820	—	—	—	—	26.8
58	PO1111763	Customer E	Main contractor	Commercial and industrial	October 2017– January 2018	421	—	—	421	—	—	6.0
59	HC(G07)	Customer Q	Main contractor	Commercial and industrial	May 2020– May 2020	250	—	—	—	—	250	35.0
60	PO1096244	Customer E	Main contractor	Commercial and industrial	March 2016– August 2016	248	248	—	—	—	—	6.0
61	PO1123425	Customer E	Main contractor	Commercial and industrial	May 2019– May 2019	247	—	—	—	247	—	5.0
62	PO1116424	Customer E	Main contractor	Commercial and industrial	March 2018– April 2018	220	—	—	220	—	—	6.0
63	PO1088836	Customer E	Main contractor	Commercial and industrial	November 2015– January 2016	198	198	—	—	—	—	6.0
64	PO1126124	Customer E	Main contractor	Commercial and Industrial	January 2019– November 2019	190	—	—	—	190	—	5.0
65	PO1096614	Customer E	Main contractor	Commercial and industrial	April 2016– April 2016	118	118	—	—	—	—	6.0
66	HC(3210)	Customer Q	Main contractor	Commercial and industrial	May 2020– June 2020	65	—	—	—	—	65	35.4
67	SQ/AC	Customer T *(Note 11)*	Subcontractor	Commercial and industrial	August 2017– August 2017	60	—	60	—	—	—	6.0

Term-contract

Number	Project code	Customer	Our role	Type of development	Project period (Note 1)	Original contract sum (Note 2) *HK$'000*	Revenue recognised for FY2016 *HK$'000*	Revenue recognised for FY2017 *HK$'000*	Revenue recognised for FY2018 *HK$'000*	Revenue recognised for FY2019 *HK$'000*	Revenue recognised for the nine months ended 30 September 2020 *HK$'000*	Overall gross profit margin *%*
1	MTR#1056602	Customer E	Term contract	Commercial and industrial	September 2012– August 2015	45,000	539 *(Note 5)*	—	309 *(Note 5)*	—	—	5.0
2	MTR#1029443	Customer E	Term contract	Commercial and industrial	February 2010– January 2013	21,000	20 *(Note 5)*	—	—	—	—	5.0
3	MTR#1067136	Customer E	Term contract	Commercial and industrial	August 2013– July 2016	15,620	5,301	5 *(Note 5)*	—	—	—	6.0
4	MTR#1061331	Customer E	Term contract	Commercial and industrial	February 2013– January 2016	13,800	3,195	396 *(Note 5)*	—	—	—	7.0
5	MTR#1084429	Customer E	Term contract	Commercial and industrial	February 2015– January 2018	9,500	1,559	3,716	1,599	—	—	6.0
6	MTR#1099226	Customer E	Term contract	Commercial and industrial	August 2016– July 2019	7,000	603	1,480	1,958	2,602	93	6.0
7	MTR#1067144	Customer E	Term contract	Commercial and industrial	August 2013– July 2016	6,600	1,903	87 *(Note 5)*	—	—	—	6.0
8	MTR#1067142	Customer E	Term contract	Commercial and industrial	August 2013– July 2016	5,079	960	—	—	—	—	6.0
9	MTR#1067158	Customer E	Term contract	Commercial and industrial	August 2013– July 2016	811	180	—	—	—	—	6.0
10	MTR#1067154	Customer E	Term contract	Commercial and industrial	August 2013– July 2016	415	53	—	—	—	—	6.0

Notes:

1. The project period represents the duration of our works with reference to the commencement date and completion date of the relevant project set out in the completion application form signed off by the customers and us; and the future completion date based on our management's best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.

2. The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.

3. This is one of our major customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers — Our major customers" in this section.

4. Customer M is an incorporated owners of a private residential estate in Hong Kong.

5. The revenue was contributed by the additional variation order(s) placed by the respective customer after the completion of the project.

6. Customer N is a registered general building contractor in Hong Kong.

7. Customer O is a registered general building contractor in Hong Kong.

8. Customer Q is a property management company, which is a subsidiary of a public company listed in Hong Kong.

9. Customer R is an international educational organisation that runs numerous educational institutions in Hong Kong.

10. Customer S is a minor works contractor in Hong Kong.

11. Customer T is an outdoor advertising company in Hong Kong.

12. Customer V is a registered general building contractor in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, except for the postponement of the commencement date of Project TG (MBIS) (Project code corresponds with the section headed "Business — Our projects" in this prospectus) from February 2020 to October 2020, we did not encounter any material project delays or cost overruns as we strictly require our project management team to monitor the project progress in accordance with the designed programme and adopt a cost-plus pricing model when determine our project tender price. For the details of the duties of our project management team members and our pricing policy, please refer to the paragraphs headed "Operation flow — Formation of project team and planning and programming of works" and "Sales and marketing — Pricing strategy" in this section.

Backlog

As at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020 and the Latest Practicable Date, we had a total of 12, 21, 16, 17, 14 and 13 projects in our backlog (including project-based contracts and term contracts), with revenue derived or expected to be derived from such projects as follows:

	As at 31 December 2016	As at 31 December 2017 *(Note 3)*	As at 31 December 2018 *(Note 4)*	As at 31 December 2019 *(Note 5)*	As at 30 September 2020 *(Note 6)*	As at the Latest Practicable Date *(Note 7)*
Number of projects in our backlog *(Note 1)*	12	21	16	17	14	13
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total contract value in respect of the projects *(Note 2)*	153,212	464,390	348,604	712,457	638,379	670,511
Total revenue attributable to the projects						
• recognised on or before the date indicated	82,244	249,982	98,534	360,965	290,641	394,716
• yet to be recognised within the following financial year end (i.e. 31 December) as at the date indicated	53,128	210,889	206,945	170,671	73,356	216,725
• yet to be recognised after the following financial year ends (i.e. 31 December) as at the date indicated	17,840	3,519	43,125	180,821	274,382	59,070
Total revenue yet to be recognised as at the date indicated	70,968	214,408	250,070	351,492	347,738	275,795

Notes:

1. There were five, two, two, two, one and one term contract(s) in our backlog as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, 30 September 2020 and the Latest Practicable Date, respectively.

2. The total contract value has taken into account of the original contract sum and any variation orders issued by the customers for the projects in our backlog as at the respective date.

3. Out of the 21 projects in our backlog as at 31 December 2017, six projects commenced in or before FY2016. The total awarded contract sum of such projects was approximately HK$101.0 million.

4. Out of the 16 projects in our backlog as at 31 December 2018, two projects commenced in FY2016 and one project commenced in FY2017. The awarded contract sum of such projects was approximately HK$9.4 million and HK$3.0 million, respectively.

5. Out of the 17 projects in our backlog as at 31 December 2019, one project commenced in FY2016, one project commenced in FY2017 and seven projects commenced in FY2018. The awarded contract sum of such projects was approximately HK$7.0 million, HK$3.0 million and HK$277.9 million, respectively.

6. Out of the 14 projects in our backlog as at 30 September 2020, one project commenced in FY2017, one project commenced in FY2018 and three projects commenced in FY2019. The awarded contract sum of such projects was approximately HK$3.0 million, HK$61.0 million and HK$257.3 million, respectively.

7. Out of the 13 projects in our backlog as at the Latest Practicable Date, one project commenced in FY2017, one project commenced in FY2018, three projects commenced in FY2019 and six projects commenced during the nine months ended 30 September 2020. The total awarded contract sum of such projects was approximately HK$3.0 million, HK$61.0 million, HK$257.3 million and HK$162.3 million, respectively.

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:

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2020	From 1 October 2020 to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening value of backlog	59,541	70,968	214,408	250,070	351,492	347,738
Total value of initial contract sum of new projects awarded in the respective year/period *(Note 1)*	205,409	373,890	367,619	435,631	170,371	30,000
Total value of variation orders awarded in the respective year/period *(Note 2)*	(8,007)	108	(29,979)	40	62,977	8,522
Revenue recognised	(185,975)	(230,558)	(301,978)	(334,249)	(237,102)	(110,465)
Ending value of backlog *(Note 3)*	70,968	214,408	250,070	351,492	347,738	275,795

Notes:

1. Total value of initial contract sum of new projects awarded means the initial contract sum of new projects awarded by our customers in the relevant financial year/period indicated.

2. Total value of variation orders awarded means the contract value of variation orders issued by our customers for addition, modification and cancellation of certain contract works in the relevant financial year/period indicated. The net decrease of value of variation orders was mainly due to the cancellation of contract works decided by our customers. Our Directors confirmed that we did not experience any loss-making projects as a result of cancellation of variation orders during the Track Record Period.

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

Our projects in backlog as at the Latest Practicable Date

As at the Latest Practicable Date, we had 12 on-going project-based contracts and one existing term contracts in backlog, with an aggregate original contract sum of approximately HK$602.6 million. The following table sets out the details of our projects in backlog as at the Latest Practicable Date with the original contract sum in descending order:

Project code	Customer	Our role	Type of developments	Expected project period *(Note 1)*	Original contract sum *HK$'000*	Accumulated revenue recognised as at 30 September 2020 *HK$'000*	Expected revenue to be recognised from the project after 30 September 2020 *(Note 2)* *HK$'000*
BH	Dragon *(Note 3)*	Subcontractor	Residential	May 2019–May 2022	250,000	183,060	66,940
TG (MBIS)	Customer E *(Note 3)*	Main contractor	Commercial and industrial	October 2020–October 2023	88,996	—	88,996
MTR #1121431	Customer E	Term contract	Commercial and industrial	September 2018–August 2021	61,000	50,261	10,739
SIC	Po Fat *(Note 3)*	Subcontractor	Commercial and Industrial	May 2020–October 2021	56,728	17,349	39,379
CH	Customer W *(Note 3)*	Subcontractor	Residential	July 2020–August 2021	36,900	8,952	27,948
SBT	Customer W	Subcontractor	Residential	January 2021–May 2021	30,000	—	30,000
HLC	Trans-world *(Note 3)*	Subcontractor	Residential	August 2020–June 2021	25,400	6,449	18,951
HC(PC)	Customer Q *(Note 4)*	Main contractor	Commercial and Industrial	May 2020–June 2021	21,628	1,238	20,390
SHC(20)	Customer W	Subcontractor	Commercial and industrial	July 2020–March 2021	20,000	12,058	7,942
WG	Customer O *(Note 5)*	Subcontractor	Residential	March 2019–March 2021	7,000	6,840	160
YTG	Customer O	Subcontractor	Residential	August 2017–March 2021	3,000	2,440	560
PO1139035	Customer E	Main contractor	Commercial and industrial	May 2020–August 2021	1,637	217	1,420
PO1132582	Customer E	Main contractor	Commercial and Industrial	September 2019–September 2022	By remeasurement	327	—

Notes:

1. The expected project period represents the duration of our works with reference to the commencement date and the expected completion date based on our management's best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.

2. It represents our best estimation based on factors including the original contract sum, the estimated completion date specified in the relevant contracts, variation orders received and work progress as at the Latest Practicable Date.

3. This is one of our major customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers — Our major customers" in this section.

4. Customer Q is a registered general building contractor in Hong Kong.

5. Customer O is a registered general building contractor in Hong Kong.

OUR CUSTOMERS

Characteristics of our customers

Our major customers included (i) contractors and incorporated owners of private residential buildings; (ii) contractors and corporate customers of private commercial and industrial buildings; and (iii) institutional organisation. The number of customers with revenue contribution to us was 11, 13, 14, 12 and 14 for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively. During the Track Record Period, all of our customers were located in Hong Kong and all of our revenue were denominated in Hong Kong dollar. We usually grant our customers with a credit period ranging from 30 to 60 days from the date of issuance of our invoice and our customers settle our payment typically by cheque.

Principal terms of engagement

Project-based contracts

During the Track Record Period, our customers generally engaged us for a specific project by entering into a legally binding service contract (including letter of award).

In general, contracts entered into between us and our customers contain terms and conditions relating to the contract price, project duration, scope of work and payment terms. Our contracts may also contain the following terms:

Contract sum We generally set a fixed sum of contract value in accordance with the schedule of rates with breakdowns of specifications of works to be done.

Variation order Subject to the terms and conditions of contracts, our customers may give instructions to vary the works. Such variation orders could be addition, modification or cancellation of works. The price of the variation works is generally set in accordance with the pre-agreed fee rate for variation works stated in agreed contract of the relevant project, and the total contract sum of the relevant project will be adjusted accordingly. As such, the amount of revenue that we may derive from a project may be higher or lower than the original contract sum.

Retention money When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally 10% of each interim payment and in aggregate subject to a maximum limit of 5% of the total contract sum. The first half of the retention money will be released upon the practical completion of project and the remaining will be released after the completion of defects liability period specified in the relevant contracts.

Defects liability period	Some of our customers may require a defects liability period which is usually 12 months after our practical completion of the contract works. During the defects liability period, if any defects are identified by our customers or their representatives, we will be required to either make good the defects or be responsible for the rectification cost or damages suffered by our customers.
Liquidated damages	Some of our contracts include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts and/or extended time granted by the customers. Liquidated damages are typically calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis.
Performance bond	For project TG(MBIS) and project HC(PC), we were requested by the respective customers to provide performance bond issued by an insurance company in favour of our customers to secure our performance under the projects. Such performance bonds will be released upon the completion of contracts. Save for the above arrangements, we did not offer any performance bonds and/or personal guarantees for securing contracts during the Track Record Period and up to the Latest Practicable Date.
Insurance	When we act as a main contractor, we are generally required to take out and maintain for both the employees' compensation under the Employees' Compensation Ordinance and contractors' all risks insurance for the entire project. These insurance policies will cover all works performed and labour employed by us and our subcontractors. When we act as subcontractor, such insurance policies were provided by the main contractor of the project.

Term contracts

During the Track Record Period, we have undertaken 11 term contracts that contributed revenue to our Group, with the aggregate original contract sum of approximately HK$185.8 million, which were all awarded by Customer E. We were responsible for the provision of general building repair for specified properties with a fixed term of three years based on the request by Customer E on an order-by-order basis. In the aforesaid term contracts entered into between Customer E and us, there are no fixed or committed contract value or guaranteed business volume. The term contracts also contain estimated contract sum based on the agreed schedules of rates stated in the term contracts and the estimated quantities of work items. The actual amount and nature of works required to be performed by our Group are subject to the customers' work orders from time to time during the contract period, which are charged according to the agreed schedules of rates stated in the term contracts.

Our major customers

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our largest customers accounted for approximately 22.6%, 41.9%, 52.4%, 24.2% and 47.3% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 76.8%, 82.5%, 84.4%, 82.9% and 87.7% of our total revenue, respectively.

The following tables set out the breakdown of our revenue by our five largest customers during the Track Record Period and their respective background:

For FY2016

Rank	Customer	Background of the customer	Service provided by us	Approximate years of business relationship	Typical credit terms and payment method	Amount of revenue	% of the total revenue
						HK$'000	*%*
1	Customer A *(Note 1 and 15)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	41,983	22.6
2	Customer B *(Note 15)*	Incorporated owners of a private residential estate	Repair and maintenance works	7	45 days; cheque	30,015	16.1
3	Apex *(Note 2)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	27,116	14.6
4	King Wah *(Note 3)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	22,000	11.8
5	Customer E *(Note 4 and 15)*	A public transport company and property developer headquartered in Hong Kong; subsidiary of a public company listed in Hong Kong	Repair and maintenance works	13	30 days; cheque	21,720	11.7
		Five largest customers combined				142,834	76.8
		All other customers				43,141	23.2
		Total revenue				185,975	100.0

For FY2017

Rank	Customer	Background of the customer	Service provided by us	Approximate years of business relationship	Typical credit terms and payment method	Amount of revenue	% of the total revenue
						HK$'000	*%*
1	Suntec *(Note 5)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	96,641	41.9
2	Po Fat *(Note 6)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	30,075	13.0
3	Kin Po *(Note 7)*	A sole proprietorship specialising in RMAA works in Hong Kong	Repair and maintenance works	7	30 days; cheque	27,640	12.0
4	Tactful *(Note 8)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	20,841	9.0
5	San Hoi Ming *(Note 9)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	15,114	6.6
		Five largest customers combined				190,311	82.5
		All other customers				40,247	17.5
		Total revenue				230,558	100.0

For FY2018

Rank	Customer	Background of the customer	Service provided by us	Approximate year(s) of business relationship	Typical credit terms and payment method	Amount of revenue	% of the total revenue
						HK$'000	*%*
1	Suntec *(Note 5)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	158,346	52.4
2	San Hoi Ming *(Note 9)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	36,227	12.0
3	Shun Shing *(Note 10)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	23,221	7.7
4	Trans-world *(Note 11)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	18,837	6.2
5	Apex *(Note 2)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	18,306	6.1
		Five largest customers combined				254,937	84.4
		All other customers				47,041	15.6
		Total revenue				301,978	100.0

For FY2019

Rank	Customer	Background of the customer	Service provided by us	Approximate year(s) of business relationship	Typical credit terms and payment method	Amount of revenue	% of the total revenue
						HK$'000	*%*
1	Shun Shing *(Note 10)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	80,879	24.2
2	Dragon *(Note 12)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	71,013	21.2
3	San Hoi Ming *(Note 9)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	47,386	14.2
4	Customer E *(Note 4 and 15)*	A public transport company and property developer headquartered in Hong Kong; subsidiary of a public company listed in Hong Kong	Repair and maintenance works	13	30 days; cheque	40,512	12.1
5	Apex *(Note 2)*	A registered general building contractor in Hong Kong	Repair and maintenance works	4	30 days; cheque	37,465	11.2
		Five largest customers combined				277,255	82.9
		All other customers				56,994	17.1
		Total revenue				334,249	100.0

For the nine months ended 30 September 2020

Rank	Customer	Background of the customer	Service provided by us	Approximate year(s) of business relationship	Typical credit terms and payment method	Amount of revenue	% of the total revenue
						HK$'000	*%*
1	Dragon *(Note 12)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	112,047	47.3
2	Customer W *(Note 13 and 15)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	44,666	18.8
3	Po Fat *(Note 6)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	17,349	7.3
4	Shun Shing *(Note 10)*	A registered general building contractor in Hong Kong	Repair and maintenance works	1	30 days; cheque	17,076	7.2
5	Trans-world *(Note 11)*	A registered general building contractor in Hong Kong	Repair and maintenance works	3	30 days; cheque	16,876	7.1
		Five largest customers combined				208,014	87.7
		All other customers				29,088	12.3
		Total revenue				237,102	100.0

Notes:

(1) Customer A was a private company in Hong Kong established in 2007, which engaged in maintenance works. It was ordered for winding up by the court in January 2020. As at the Latest Practicable Date, there was no outstanding liabilities or amount payable to us by Customer A.

(2) Apex is a private company in Hong Kong established in 1991, which engages in renovation, alteration and addition.

(3) King Wah is a private company in Hong Kong established in 1999, which engages in maintenance works.

(4) Customer E is a subsidiary of a company listed on the Stock Exchange. According to information publicly available, the listed company is a public transport company and property developer, and it recorded a revenue of approximately HK$54.5 billion for the year ended 31 December 2019.

(5) Suntec is a private company in Hong Kong established in 1998, which engages in renovation, alteration and addition works.

(6) Po Fat is a private company in Hong Kong established in 1992, which mainly engages in RMAA works.

(7) Kin Po mainly engages in renovation and repair works and was also one of our five largest suppliers during the Track Record Period. For further details, please refers to the paragraph headed "Our customers — Our major customers who were also our suppliers" in this section.

(8) Tactful is a private company in Hong Kong established in 1998, which mainly engages in building renovation and maintenance works and civil engineering works.

(9) San Hoi Ming is a private company in Hong Kong established in 2004, which engages in land redevelopment and enhancement; architectural design; property development, expansion, modification, renovation and maintenance; property usage revaluation and assessment of illegal building structure; building maintenance and survey of building structure; fire; service improvement and maintenance; electrical installation work; building decorative improvement and interior design; and assisting property owners to report, evaluate and comply with the orders issued by the Buildings Department or other government departments.

(10) Shun Shing is a private company in Hong Kong established in 1999, which engages in superstructure, renovation, alteration and addition works.

(11) Trans-world is a private company in Hong Kong established in 2008, which mainly engages in alteration and addition work, fire safety improvement works and commercial interior decoration works.

(12) Dragon is a private company in Hong Kong established in 2012, which engages in superstructure, renovation, alteration and addition works.

(13) Customer W is a private company in Hong Kong established in 2003, which engages in RMAA works.

(14) Sun Cheong is a private company in Hong Kong established in 1996, which engages in RMAA works.

(15) Our agreements with some of our five largest customers during the Track Record Period contained express or implied confidentiality obligation on our Group. Up to the Latest Practicable Date, we had only obtained consent from certain customers. As advised by the Legal Counsel, the disclosure of their identities may result in a breach of such confidentiality obligations save where consent for such disclosure has been obtained from the respective customers. Accordingly, we have only disclosed the identities of customers from which we have obtained written consent.

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. All of our five largest customers are Independent Third Parties.

Customer concentration

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our largest customers accounted for approximately 22.6%, 41.9%, 52.4%, 24.2% and 47.3% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 76.8%, 82.5%, 84.4%, 82.9% and 87.7% of our total revenue, respectively. According to F&S Report, such customer concentration is not uncommon in the construction companies in Hong Kong. Our Directors are of the view that, despite the customer concentration, our business model is sustainable based on the following factors:

- It is not uncommon in the construction industry that a single project had a relatively large contract sum and as such a small number of projects and customers may contribute to a substantial amount of our revenue. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, we have secured 13, 17, 17, 14 and ten new projects, respectively. Our Directors consider that concentration among our major customers during the Track Record Period was mainly attributable to several sizeable projects, in terms of revenue contribution, undertaken by us;

- The ranking and combination of our five largest customers for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020 were substantially different. Our Directors consider that we did not place undue reliance on any particular customer throughout the Track Record Period for revenue recognition;

- As at the Latest Practicable Date, we had 13 projects (including a term contract) in backlog yet to be recognised and total contract value of such projects (including variation orders issued by our customers) were approximately HK$670.5 million. None of these projects and contracts was related to Suntec which was our largest customer for FY2017 and FY2018;

- We have made consistent effort in expanding and diversifying our customer base. There were 11, 13, 14, 12 and 14 customers which generated revenue to us in FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively; and

- Our industry experience of the management and our proven track record in handling RMAA works are also beneficial to our major customers to ensure their projects are executed on time and in accordance with their requirements.

Our major customers who were also our suppliers

In the construction industry, it is common that a contractor may pay on behalf of its subcontractors for certain expenses in a construction project regarding the purchase of construction materials or provision of labour or machinery. Such expenses are typically deducted from the customer's payments to the subcontractors when agreeing the amount of the interim payments. This payment arrangement is commonly known as the "contra-charge arrangement" and the amounts involved are referred to as "contra-charge".

During the Track Record Period, we had contra-charge arrangements regarding the purchases of certain construction materials and other expenses with Apex, Po Fat, Tactful, Shun Shing and San Hoi Ming, which our Directors confirm were conducted on normal commercial terms. Under the contra-charge arrangements, we made purchases of certain construction materials and other expenses through these customers for use in our respective projects with them. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our purchase from these customers, in aggregate, amounted to approximately nil, HK$3.4 million, HK$3.6 million, HK$1.8 million and HK$5.8 million, respectively.

During FY2019, we had contra-charge arrangement regarding the deployment of designed personnel with Dragon for a residential development project (i.e. Project BH), which was chargeable to us of approximately HK$11.0 million. In order to facilitate the progress of the preparation works for the project, Dragon had deployed the designated personnel to perform the scaffolding works and setting up of water and electricity supply facilities at the early stage of the Project BH. The cost of such works undertaken by the designated personnel deployed by Dragon was chargeable to us and such amount was subsequently settled under contra-charge arrangements.

During FY2017 and FY2018, Kin Po engaged us to conduct RMAA works for project WB with the original contract sum of approximately HK$36.0 million. During FY2019 and the nine months ended 30 September 2020, Kin Po acted as our subcontractor in project IIC, project MFIB, project LYSC and project BH with the original contract sum of approximately HK$10.0 million, HK$5.9 million, HK$5.9 million and HK$21.1 million, respectively. Our Directors confirmed that all contracts were under normal commercial terms and we engaged Kin Po as our subcontractor which is consistent with our usual subcontracting practice as discussed in the paragraphs headed "Reason for subcontracting arrangement" and "Basis of selecting subcontractors" below.

SALES AND MARKETING

During the Track Record Period, we secure contracts through (i) open tenders published in newspaper or website and (ii) invitations for tender and quotation by customers or their consultants. Our Directors consider that given the industry presence of the executive Directors and due to our proven track record in the RMAA industry, we are able to leverage our existing customer base in Hong Kong. Hence, our marketing activities mainly include liaising with existing and potential customers from time to time for relationship building and management. We also contact our customers to obtain market and industry information, and to seek business opportunities.

Pricing strategy

We estimate the total costs involved in a project in order to determine our tender price and we determine our tender price on a case-by-case basis by adopting a cost-plus pricing model. There is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. As such, in order to minimise the risk of inaccurate cost estimation and cost overrun, our executive Directors are responsible to oversee the pricing of our services based on the pricing strategy below.

To estimate our costs of undertaking a project, we consider factors including (i) the nature, scope and complexity of the work involved; (ii) the project schedule; (iii) the availability of our manpower and resources; and (iv) the estimated material and subcontracting costs.

After estimating our project costs, our Directors will proceed to determine the profit margin in addition to the estimated project costs, taking into account factors including (i) our relationship with the customer; (ii) market condition; (iii) trend of the price of labour and material; (iv) number of projects on hand at the material time; and (v) the potential risks.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material project delays, inaccurate estimation or cost overruns.

Credit policy

We generally grant our customers a credit period ranging from 30 to 60 days from the date of issuance of our invoice. Our trade receivable turnover days is approximately 97.5 days, 176.0 days, 143.8 days, 119.8 days and 150.3 days for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively. Further details on our trade receivable turnover days are set out in the paragraph headed "Financial information — Net current assets — Trade and other receivables" in this prospectus.

Our Group recognised loss allowances on trade receivables of approximately HK$1.1 million, HK$0.7 million, HK$1.7 million and HK$1.6 million during FY2016, FY2017, FY2019 and the nine months ended 30 September 2020, respectively, and reversed loss allowances of approximately HK$40,000 during FY2018. Our Directors measure the allowance having regard to the financial quality of our customers, historical credit loss experience, general economic conditions of the industry and an assessment of both the current as well as the forward-looking information that is available to us as at the respective financial year end date.

Seasonality

Our Directors are of the view that there is no obvious seasonality factor that would adversely affect our business operation.

OUR SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, our suppliers include (i) subcontractors; (ii) suppliers of construction materials such as glazed ceramic wall tiles, paint and uPVC pipes; and (iii) suppliers of other miscellaneous services such as the rental of machinery, transportation of construction waste and testing and surveying of the quality of materials.

The following table sets out a breakdown of our cost of services during the Track Record Period:

	FY2016		FY2017		FY2018		FY2019		Nine months ended 30 September 2019		Nine months ended 30 September 2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
									(Unaudited)			
Subcontracting fees	152,328	94.6	194,786	98.2	246,529	98.9	266,751	98.3	205,234	98.4	188,773	97.9
Direct labour costs	4,022	2.5	3,247	1.6	2,262	0.9	4,059	1.5	2,882	1.4	2,869	1.5
Material costs	2,367	1.5	245	0.1	297	0.1	72	0.1	69	negligible	112	0.1
Other direct costs	2,261	1.4	88	0.1	151	0.1	457	0.1	438	0.2	984	0.5
	160,978	100.0	198,366	100.0	249,239	100.0	271,339	100.0	208,623	100.0	192,738	100.0

Our subcontractors

Reason for subcontracting arrangement

Subcontracting of works is a usual practice in the Hong Kong construction industry. In order to focus on our project management and engage our resources in quality control, we normally engage subcontractors to perform site works in respect of works undertaken by us. In addition, subcontractors can provide labours with different skills without the need for us to keep them under our employment. We are responsible for the supervision of works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

During the Track Record Period, our subcontracted works mainly included scaffolding, plastering, painting, improvement of fire services system, waterproofing fitting-out works, and plumbing and drainage works. We generally require our subcontractors to bear the cost of construction materials, depending on our agreements with our subcontractors on a case-by-case basis, and we will take a supervisory role to regularly monitor the works performed by the subcontractors. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's subcontracting fees amounted to approximately HK$152.3 million, HK$194.8 million, HK$246.5 million, HK$266.8 million and HK$188.8 million, representing approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our Group's total cost of services, respectively.

Our subcontractors mainly include sole proprietors as well as construction companies which generally have the available skills and manpower to perform the activities. During the Track Record Period, we have engaged not less than 50 subcontractors to conduct site works. All of them were located in Hong Kong and all of the subcontracting fees were denominated in Hong Kong dollars.

During the Track Record Period, we did not experience any material shortage or delay in the subcontracting services that we required. Our Directors consider that, similar to our purchase costs, we are generally able to pass on substantial increase in subcontracting fees, if any, to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing.

Basis of selecting subcontractors

We evaluate subcontractors taking into account their recent performance, payroll record, quality of works, timeliness of completion for past projects, resources and technical skills, and possession of requisite licences, permit and registration. Based on these factors, we select and maintain an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, there were more than 100 approved subcontractors on our internal list. Our Directors consider that we are flexible to engage alternative subcontractors to provide different kinds of construction or designer works.

When subcontractors are needed for a particular project, we select a few subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations. Depending on the subcontracting works, we will provide the drawings and specifications to the selected subcontractors and request them to submit their quotation.

Once a project is awarded to us, we will negotiate the terms of the engagement with our subcontractors and discuss with the subcontractors our execution plan for the project to ensure they will complete the subcontracted works on time and in accordance with the specifications.

Principal terms of engagement

As our customers engage us on a project-by-project basis, we have not entered into any long-term or standard contract with our subcontractors. The key terms of the subcontracting engagement include pricing, scope of works, time of performance, arrangement of labour, purchase of materials and safety requirements.

The principal terms of our subcontracting engagement generally include, among other things:

- the scope of works;
- the contract price, specifying the payment schedule, method and credit terms;

- the location of the work site at which the works are to be performed; and
- other miscellaneous job arrangement details, including the portion of various costs to be borne by our subcontractors and us (such as the costs of materials inspection, insurance, and transportation of waste) and the types of machinery to be provided by us.

Pursuant to our engagement, we have legal rights to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not done in accordance with the requirements set out in our engagements.

Control over subcontractors

We are liable to our customers for the performance and the quality of work done by our subcontractor. Therefore, our subcontractors are not allowed to subcontract parts of our projects without our permission. In general, works performed by our subcontractors are inspected and monitored by our on-site personnel of project management team based on our in-house rules in relation to work quality, occupational safety and environmental protection as well as the requirements of our customers and the ISO 9001, ISO 14001 and OHSAS 18001 standards.

In addition, depending on the agreements with our subcontractors, we may withhold a portion of each payment, normally being 10% of each interim payment and in aggregate subject to a maximum limit of 5% of the contract sum to our subcontractors as retention money such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses incurred by us may be charged against the retention money withheld from our subcontractors.

Our material and other suppliers

During the Track Record Period, we recorded relatively low purchase costs from our material and other suppliers. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our purchase costs from our material and other suppliers were approximately HK$4.6 million, HK$0.3 million, HK$0.4 million, HK$0.5 million and HK$1.1 million, respectively.

Basis of selecting material and other suppliers

We evaluate material and other suppliers taking into account the quality of products/services, their job reference, prevailing market price, delivery time, previous working experience with the supplier and reputation of the supplier. We obtain quotations from a few material and other suppliers before we place the formal purchase order to negotiate for a better price. Our Directors consider that we are flexible to engage alternative material and other suppliers to supply different kinds of construction materials and services.

When certain material or services are needed for a particular project, we select material and other suppliers based on their suitability as well as their availability and fee quotations. In general, we procure construction materials from suppliers requested by the tender documents or nominated by our customers.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. For the discussion on the historical price fluctuation of the main types of goods and services that we require, please refer to the section "Industry overview" in this prospectus. Our Directors consider that we are generally able to pass on substantial increase in purchase costs, if any, to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing.

Principal terms of engagement

Our Group has not entered into long-term contracts with any of our material and other suppliers during the Track Record Period. Instead, we would issue a purchase order to our supplier for construction materials. The terms of our purchase orders typically include the type of products or services required, the price, the quantity of products/duration of services, delivery time and the payment terms. In general, our suppliers grant us a credit term up to 30 days and we settle our payment typically by cheque.

Our major suppliers (including subcontractors and material and other suppliers)

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our largest supplier accounted for approximately 22.1%, 42.5%, 49.1%, 28.9% and 23.5% of our cost of services, respectively, while our five largest suppliers in aggregate accounted for approximately 64.4%, 58.0%, 69.6%, 60.0% and 70.6% of our cost of services, respectively.

The following tables set out the breakdown of our purchase costs from our five largest suppliers during the Track Record Period and their respective background:

For FY2016

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
1	Supplier A	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	4	30 days; cheque	35,617	22.1
2	Supplier B	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	4	30 days; cheque	24,731	15.4
3	Supplier C	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	3	30 days; cheque	18,557	11.5
4	Supplier D	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	12	30 days; cheque	13,960	8.7

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
5	Supplier E *(Note)*	A sole proprietorship specialising in RMAA works in Hong Kong	Alteration and additional works	4	30 days; cheque	10,817	6.7
		Five largest suppliers combined				103,682	64.4
		All other suppliers				57,296	35.6
		Total cost of services				160,978	100.0

Note: Supplier E ceased its business registration on 28 August 2017. As at the Latest Practicable Date, there is no outstanding liabilities or amount payable to Supplier E by us.

For FY2017

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
1	Supplier F	A construction contractor company specialising in RMAA works in Hong Kong	Alteration and additional works	3	30 days; cheque	84,348	42.5
2	Supplier G	An individual who is an independent third party specialising in RMAA works in Hong Kong	Repair and maintenance works	3	30 days; cheque	10,629	5.4
3	Supplier H	A construction contractor company specialising in electrical and mechanical works in Hong Kong	Works for fire services system and electrical and mechanical works	3	30 days; cheque	6,800	3.5
4	Supplier I	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	2	30 days; cheque	6,798	3.4

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
5	Supplier E [(Note)]	A sole proprietorship specialising in RMAA works in Hong Kong	Alteration and additional works	4	30 days; cheque	6,383	3.2
		Five largest suppliers combined				114,958	58.0
		All other suppliers				83,408	42.0
		Total cost of services				198,366	100.0

Note: Supplier E ceased its business registration on 28 August 2017. As at the Latest Practicable Date, there is no outstanding liabilities or amount payable to Supplier E by us.

For FY2018

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
1	Supplier F	A construction contractor company specialising in RMAA works in Hong Kong	Alteration and additional works	3	30 days; cheque	122,253	49.1
2	Supplier I	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	2	30 days; cheque	15,295	6.1
3	Supplier Group J	Two private companies in Hong Kong which are under common management of an independent third party and are specialising in RMAA works in Hong Kong	Repair and maintenance works	7	30 days; cheque	14,430	5.8

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
4	Supplier K	An individual who is an independent third party specialising in RMAA works in Hong Kong	Repair and maintenance works	3	30 days; cheque	11,100	4.5
5	Supplier L	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	5	30 days; cheque	10,339	4.1
		Five largest suppliers combined				173,417	69.6
		All other suppliers				75,822	30.4
		Total cost of services				249,239	100.0

For FY2019

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
1	Supplier Group J	Two private companies in Hong Kong which are under common management of an independent third party and are specialising in RMAA works in Hong Kong	Repair and maintenance works	7	30 days; cheque	78,430	28.9
2	Supplier D	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	12	30 days; cheque	38,088	14.0
3	Supplier P	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	1	14 days; cheque	17,000	6.3

Rank	Supplier	Background of the supplier	Service provided to us	Approximate years of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
4	Supplier M	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	1	30 days; cheque	15,155	5.6
5	Supplier Q	A registered minor works contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	1	30 days; cheque	14,241	5.2
		Five largest suppliers combined				162,914	60.0
		All other suppliers				108,425	40.0
		Total cost of services				271,339	100.0

For the nine months ended 30 September 2020

Rank	Supplier	Background of the supplier	Service provided to us	Approximate year(s) of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
1	Supplier L	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	5	30 days; cheque	45,255	23.5
2	Supplier Group J	Two private companies in Hong Kong which are under common management of an independent third party and are specialising in RMAA works in Hong Kong	Repair and maintenance works	7	30 days; cheque	34,877	18.1
3	Kin Po *(Note)*	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	7	30 days; cheque	24,562	12.7

Rank	Supplier	Background of the supplier	Service provided to us	Approximate year(s) of business relationship	Typical credit terms and payment method	Amount of purchase costs	% of the cost of services
						HK$'000	*%*
4	Supplier Q	A registered minor works contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	1	30 days; cheque	16,559	8.6
5	Supplier D	A construction contractor company specialising in RMAA works in Hong Kong	Repair and maintenance works	12	30 days; cheque	14,794	7.7
		Five largest suppliers combined				136,047	70.6
		All other suppliers				56,691	29.4
		Total cost of services				192,738	100.0

Note: Kin Po was also one of our five largest customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers — Our major customers who were also our suppliers" in this section.

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 our five largest suppliers during the Track Record Period.

QUALITY CONTROL

We will be liable for the works carried out by our subcontractors. We ensure that project is completed in accordance with the specifications set out for the project. Works performed by our subcontractors are inspected and monitored by our on-site personnel of project management team based on our in-house rules in relation to work quality, occupational safety and environmental protection as well as the requirements of our customers and the ISO 9001, ISO 14001 and OHSAS 18001 standards.

Our site agent and site supervisor are responsible for supervising the overall daily activities including those executed by our subcontractor in accordance with the construction programme. In addition, our project manager will monitor the activities and project status and note for any issues arising from the execution of the project. Our project manager will timely inform our executive Directors on the project status and matters of concerns. We have progress meetings with our customers and subcontractors from time to time during various stages of a project to review the progress.

Regarding the construction materials purchased by us, we place purchase orders to suppliers who are able to provide construction materials in compliance with the specifications in tender documents and/or relevant international standards. We request our suppliers to submit the relevant certifications and/or testing reports to ensure the quality of the construction materials. Any items with defects or which are not consistent to the product specifications stated in the purchase orders would be returned to the suppliers for replacement.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have established a safety management system in order to provide our employees and our subcontractors' employees with a safe and healthy working environment. We have also engaged an external safety auditor to conduct safety audit on our safety management system on an annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations.

In practice, we prepare a safety plan for each project, which is conveyed to our employees and subcontractors before commencement of works. The purpose of the safety plan is to (i) assess and identify risks associated with the works and environments of each project; and (ii) formulate appropriate measures and works procedures for implementation. As at the Latest Practicable Date, we have one registered safety officer to closely monitor our subcontractors following established safety policies and regulations to carry out construction works. Our safety officer also conducts regular site safety inspection and provide safety training to our subcontractors. If there is any work-related accident occurred, our safety officer is also responsible to conduct accident investigation, prepare the remedial plan and report to our executive Directors and the project managers as well as our customers.

Our safety record during Track Record Period

During the Track Record Period and up to the Latest Practicable Date, there was one accident resulting in an eye injury to a worker of our subcontractor, which may potentially give rise to a personal injury claim against our Group. Our Directors are of the view that the potential liabilities (if any) of our Group shall be covered by the relevant insurance policy. Our Directors confirm that we had not suffered from any removal, suspension, downgrading or demotion of our licences or qualifications due to accidents or breaches of workplace safety regulations during the Track Record Period and up to the Latest Practicable Date. The following table sets out a comparison of the workplace injury rate between us and the industry average during the Track Record Period:

	Industry average *(Note)*	**Our Group**
FY2016		
Industrial accident rate per 1,000 workers in construction industry	34.5	Nil
Industrial accident fatality rate per 1,000 workers in construction industry	0.093	Nil

	Industry average *(Note)*	Our Group
FY2017		
Industrial accident rate per 1,000 workers in construction industry	32.9	Nil
Industrial accident fatality rate per 1,000 workers in construction industry	0.185	Nil
FY2018		
Industrial accident rate per 1,000 workers in construction industry	31.7	Nil
Industrial accident fatality rate per 1,000 workers in construction industry	0.125	Nil
FY2019		
Industrial accident rate per 1,000 workers in construction industry	29.0	Nil
Industrial accident fatality rate per 1,000 workers in construction industry	0.157	Nil
For the nine months ended 30 September 2020		
Industrial accident rate per 1,000 workers in construction industry	Not applicable	Nil
Industrial accident fatality rate per 1,000 workers in construction industry	Not applicable	Nil

Note: The industry average for the calendar years of 2016, 2017, 2018 and 2019 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 20 (August 2020) published by Occupational Safety and Health Branch of the Labour Department.

Fatal accidents happened in May 2013 and March 2014

Background of fatal accident happened in May 2013

On 23 May 2013, a fatal accident occurred at the site of car park block at The Paradise Mall, Hong Kong (the "**Site A**"), at which we were engaged to provide RMAA works services. The deceased person (the "**DP A**"), who was employed by our subcontractor, was working at external wall on the third floor of the Site A and probably lost his balance to fall backward to the ground floor with a vertical distance around 10-meter height when he was egress on the way back to the Site A from the external wall of building (the "**Accident A**"). Our Directors confirmed that the DP A was a competent person on scaffolding. Based on the accident investigation report of Accident A which was prepared by the Safety Adviser, it was caused by the carelessness of the DP A, he stepped on the edge of the concrete fence wall with height of around 1.5 metre while he took off the safety harness and inadvertently fell onto the ground.

Consequences of the Accident A

On 22 November 2013, HDC, was charged with four summonses in relation to Accident A alleging the breach of Sections 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance and Regulations 38B(1), 38E(1), 68(1)(a), 68(2)(a) and 68(2)(g) of the CSSR as HDC was required but allegedly failed to, among other things, (i) provide and maintain a system of work for erection of truss-out scaffold that were, so far as is reasonably practicable, safe and without risks to health of the persons employed by our Group's subcontractor at the industrial undertaking, (ii) take adequate steps to prevent a person on the site from falling from a height of two metres or more and (iii) ensure trained workmen to erect, alter or dismantle scaffold under the supervision of a competent person. HDC was acquitted after the first trial by the Eastern Magistrates' Courts. And the relevant subcontractor which was the direct employer of DP A as another defendant was charged with a summons in relation to Accident A alleging the breach of sections 6A(1), 6A(2)(a), 6A(3) & 13(1) of the Factories and Industrial Undertakings Ordinance. The prosecution appealed against the acquittal of HDC in relation to one out of the four summonses (for failing to ensure trained workmen to erect, alter or dismantle scaffold under the supervision of a competent person) to the Court of First Instance. The Court of First Instance granted the appeal in favour of the prosecution and convicted HDC of the said charge with the case to be remitted back to the magistrate for mitigation and sentence. In February 2019, HDC made an application for leave to appeal to the Court of Final Appeal, the hearing of such application was held in June 2019. However, upon the conclusion of the hearing on 4 June 2019, the Court of Final Appeal refused our leave application to appeal to the Court of Final Appeal. As a result, the case was remitted to the magistrate for sentencing on 28 June 2019, and we were ordered to pay a fine of HK$10,000. As advised by the legal advisers who handled such case, our Directors confirmed that the fine was duly settled on 4 July 2019, and there would not be any separate fine or penalty under these proceedings. We acted as the main contractor of the project, we took out the insurance policies to cover our Group's and our subcontractors' employees. In relation to the Accident A, we were involved in the employees' compensation claim and personal injury claim which were covered by our Group's insurance policies. For further details, please refer to the paragraph headed ''Litigation and claims'' and ''Our insurance'' in this section.

Post-accident actions for Accident A

In view of the Accident A, our Group has engaged an external safety auditor to review the Accident A and to provide recommendations on our safety plan, such as (i) carrying out safety briefing to subcontractor works; (ii) reviewing the adequacy of safety supervision of subcontractors to enhance safety awareness; and (iii) keeping subcontractors to exercise effective supervision to ensure that the safety measures are strictly followed. Based on the recommendations, our site supervisor is responsible to carry out the regular inspection and supervision of the safety issues and conduct daily safety briefing to site workers to enhance the sense of safety-awareness of site workers. We have also recruited Mr. Chan to join our Group and appointed Mr. Chan as an AS for HDC as a Registered General Building Contractor in November 2013. At that moment, Mr. Chan was responsible to oversee our projects and enhance our safety measures and procedures.

Background of fatal accident happened in March 2014

On 25 March 2014, a team of four workers, all were employed by our subcontractor, were assigned to perform plaster repairing works at upper floor level of Tower 3 on the site at Tregunter, No. 14 Tregunter Path, Mid-Levels, Hong Kong (the "**Site B**"). The deceased person (the "**DP B**") operated a temporary working platform carrying the other three workers to reach the upper floor level. When the temporary working platform reached to upper floor of the Site B, it snapped into two, with the right platform section detached and dropped onto the footpath together with DP B and another worker (the "**DP C**"). The DP B and DP C were certified dead on the scene (the "**Accident B**", and, collectively with the Accident A, the "**Accidents**"). Based on the accident investigation report of Accident B which was prepared by the Safety Adviser, the cause of the Accident B was due to the fact that the structure of the temporary working platform, which was supplied by our supplier, did not match with the product manual and it is the responsibility for our supplier to conduct regular repair and maintenance on the temporary working platform.

Consequences of the Accident B

On 13 September 2014, 10 summonses were issued against HDC in relation to the Accident B alleging the breach of Sections 7(1)(c) and 7(2) of the Occupational Safety and Health Ordinance (for failing to ensure that plant kept at the premises was, so far as reasonably practicable, safe and without risks to health), Sections 6A(1), 6A(2)(a), 6A(3), 8(1), 13(1) and 34(2) of the Factories and Industrial Undertakings Ordinance (for failing to provide and maintain a system of work for using tower working platform and bamboo scaffold for external wall refurbishment works that were, so far as was reasonable practicable, safe and without risks to health of the persons employed by our Group's subcontractor at the industrial undertaking and for failing to develop, implement and maintain in respect of the relevant industrial undertaking a safety management system which contained the elements specified in Schedule 4 of the Factories and Industrial Undertakings (Safety Management) Regulation), Sections 10(a) and 47(1) of the Builders' Lifts and Tower Working Platforms (Safety) Ordinance (for failing to ensure that the tower working platform was properly maintained) and Regulations 38A(2), 68(1)(a) and 68(2)(g) of the CSSR (for failing to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work on the site was provided and properly maintained). HDC was initially convicted of all such charges with fines of a total amount of HK$620,000. The convictions in relation to eight of those 10 summonses were subsequently quashed on successful appeal while the fines for the remaining two summonses (for (i) failing to develop, implement and maintain a safety management system; and (ii) failing to provide and maintain safe plant and system of work) were reduced to a total amount of HK$75,000. We acted as the main contractor of the project, and we took out the insurance policies to cover our Group's and our subcontractors' employees. In relation to the Accident B, we were involved in four employees' compensation claims and personal injury claims. Two of the claims were fully covered by our Group's insurance policies and the remaining two claims (including one employees' compensation claim and one personal injury claim) required us to bear 20% of the claimant's claims and parties' costs and disbursements up to HK$700,000. The employees' compensation claim had been settled as at the Latest Practicable Date and we contributed approximately HK$335,000 to the total settlement sum. For the personal injury claim, we had reached a settlement with the plaintiff and contributed a sum of approximately HK$167,000 to the total settlement sum. For details, please refer to the paragraph headed "Litigation and claims" and "Our insurance" in this section.

Post-accident actions for Accident B

Our Group has engaged an external safety auditor to review the Accident B and to provide recommendations on our safety plan, such as (i) organising safety training on use and operation of temporary working platform; (ii) forming a new maintenance programme to test and inspect on-site temporary working platform; and (iii) providing full-body safety harness to subcontractor workers and securing its lanyard to an independent lifeline. To prevent the occurrence of future accident, our management believe that our Group's safety system should be evaluated and reviewed. We then appointed Mr. Chan as one of the directors of HDC and formulate a safety management system to prevent the recurrence of similar accidents. Based on our improved safety management system,

(i) our management is responsible for planning, monitoring and reviewing our safety plan for each project;

(ii) our Directors and project manager is responsible for the overall co-ordination and implementation of our safety plan and the communication with the representative of our subcontractors of the safety aspect before commencement of works;

(iii) our site agent and site supervisor are responsible for cross-check whether the workers are competent to work at height and supervise and monitor that each workers have properly used the personal protective equipment before work at height; and

(iv) our safety officer is responsible for providing safety briefings and safety training to our employees and subcontractors' employees on a regular basis and identifying, assessing and preventing the potential safety risk.

Safety Adviser's views

We engaged the Safety Adviser, who is an independent safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation and safety officer registered under the Factories and Industrial Undertaking (Safety Officers and Safety Supervisors) Regulation, to perform review procedures on our workplace safety system in place to assist the Sponsor in assessing the adequacy and effectiveness of our safety management system.

Having reviewed (i) the records of the Accidents and safety non-compliance incidents; (ii) the additional measures put in place by our Group to prevent recurrence of the Accidents and safety non-compliance incidents; and (iii) the current safety plan, measures and procedures of our Group, and having carried out on-site inspections at certain construction sites in which we are carrying out works, the Safety Adviser is of the opinion that:

(a) the Accidents and safety non-compliance were not caused by any material deficiencies in the design of our safety management system;

(b) the additional measures put in place by our Group to prevent recurrence of the Accidents were adequate and effective; and

(c) the current safety management system of our Group is adequate and effective and in compliance with the regulatory requirements.

Hygienic working environment against COVID-19

In view of the outbreak of COVID-19 in Hong Kong, our Group had adopted a contingency plan for pandemic outbreak in January 2020 to protect our workers from the outbreaks of infectious diseases.

Under our contingency plan for pandemic outbreak, our project management team shall take all preventive measures in our construction sites to maintain a hygienic working environment in the interest of all personnel who may be present including our employees, subcontractors, visitors and members of the public. Such preventive measures include, but not limited to, the followings:

— monitoring the stock of personal protection equipment (including but not limited to surgical masks and hand sanitisers) for our employees;

— mandatory temperature screening at entry of our office and work sites and those who have fever or upper respiratory tract infection symptoms shall be refrained from working and seek medical advice promptly;

— requesting our employees to wear surgical masks at our work sites;

— mandatory travel reporting and for those who return to Hong Kong or have close contact with COVID-19 patients shall be quarantined for 14 days;

— maintaining environmental hygiene and cleanliness to all potentially contaminated surfaces or items of our office and work sites; and

— placing health education materials on COVID-19 at prominent areas of our office and work sites.

Accordingly, all of our staff members and our subcontractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that all the workers under their supervision fully comply with the requirements. We will provide training to our workers on the proper use of the personal protective equipment (if applicable) and check whether such equipment are functional and clean, and workers are using them correctly. As at the Latest Practicable Date, we did not record any employees/workers failed to report duty due to the infection of COVID-19.

ENVIRONMENTAL COMPLIANCE

Our operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, waste disposal and public health and municipal services during the Track Record Period. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus.

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. In some of our projects, we are required to establish an environmental management system throughout the duration of the project. The system serves to provide a framework for action and for the setting of the environmental objectives and targets. The system includes, among other things, air quality control, noise control, water pollution control and conservation, site cleanliness, tidiness and hygiene control, environmental monitoring and audit, and environmental training. Our site supervisor are responsible for following the implement of the system.

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, we incurred approximately HK$61,000, HK$14,000, HK$2,000, HK$114,000 and HK$11,000, respectively, directly in relation to the compliance with applicable environmental requirements. Such amounts mainly included costs of transportation services in relation to wastes disposal and the Government levy on dumping of construction wastes when we acted as a main contractor.

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

OUR INSURANCE

During the Track Record Period, we have taken out insurance policies as set out below. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm regarding our current scope of operations. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, we incurred insurance premiums of approximately HK$350,000, HK$121,000, HK$190,000, HK$257,000 and HK$862,000, respectively.

During the Track Record Period, for projects where our Group acted as the main contractor, we took out the employees' compensation insurance and contractors' all risks insurance to cover our Group's and our subcontractors' employees, and the works performed by us and them. For projects we undertook the role as subcontractor, we were covered by the abovementioned insurances taken out by the project's main contractor. During FY2016, FY2017, FY2018 and FY2019, our Group primarily acted as a subcontractor and was covered by the insurances taken out by the main contractors so that the insurance premiums incurred by our Group during such periods had been relatively low. For the nine months ended 30 September 2020, our Group took up more large-scale projects as a main contractor and had to take out the relevant insurances to cover our Group and the subcontractors, the insurance premium increased accordingly.

Employees' compensation insurance

It is a common term in most construction contracts between main contractors and customers, that the main contractor of a project shall 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 24 of the Employees' Compensation Ordinance, we are liable to pay compensation to any injured employee of our subcontractors, who is injured in the course of his/her employment to our subcontractors when carrying out the subcontract works for us. Such liabilities are covered by the above-mentioned insurance policies taken out by us. In addition, under section 24 of the Employees' Compensation Ordinance, we are, nonetheless, entitled to be indemnified by the subcontractor who, as the actual employer of the injured employee, would have been liable to pay compensation to the injured employee. As advised by the Legal Counsel, as long as the relevant main contractors and/or subcontractor have taken out insurance policies on their own to cover all the workers on the work sites up to the applicable amount, there is no requirement under the Employees' Compensation Ordinance that such insurance policy must be taken out by us as well.

In Hong Kong, the main contractor of a construction project would normally take out insurance policy covering its liabilities as well as the liabilities of all its subcontractors under the Employees' Compensation Ordinance. In practice, if we undertake a project as subcontractor, our liabilities as well as the liabilities of our subcontractors are covered by the insurance policy taken out by the main contractor of the project.

Contractors' all risks insurance

During the Track Record Period, we have taken out contractors' all risks insurance for every projects undertaken by us as main contractor. The contractors' all risk insurance generally covers:

(i) loss of and potential damage caused to the buildings or structures under our contract works by us and our subcontractors during the performance of the contract undertaken, for which the coverage normally comprises the contract sum under the relevant construction contract and the professional fee of a stipulated amount to be incurred; and

(ii) loss of and potential damage caused to third parties or their property by us or and our subcontractors during the performance of the contract undertaken.

Other insurance coverage

We have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also maintained insurance on our motor vehicles for which our management considers valuable and desirable to maintain insurance. The insurance on our motor vehicles and machinery cover the loss of or damage to our motor vehicles and/or third-party liability in relation to the use of our motor vehicles and loss of or damage to our machinery respectively.

OUR EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 29 employees (including our two executive Directors and one non-executive Director but excluding our three independent non-executive Directors) who were directly employed by us. The following table sets out the breakdown of our employees by function:

	Number of employees					
Function	**As at 31 December 2016**	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2019**	**As at 30 September 2020**	**As at the Latest Practicable Date**
Directors	2	2	2	3	3	3
Project management *(Note)*	10	20	18	17	22	21
Administration and finance	3	2	4	5	5	5
Total	15	24	24	25	30	29

Note: It mainly includes project manager, quantity surveyor, site agent, safety officer and site supervisor.

Relationship with staff

Our Directors believe our employees are valuable assets to our business and we have maintained good relationship with our employees. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

Training and recruitment policies

We generally recruit our employees from the open market by placing recruitment advertisements. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve us. We provide various trainings, including those on occupation health and work safety, first aid, metal scaffolding and induction training at each construction site to our employees to improve their technical competence and knowledge of construction regulatory requirements. Our safety officers give safety talks monthly to our employees on selected topics such as safety issues in relation to RMAA works.

Remuneration policy

We enter into separate labour contracts with each of our employees in accordance with the applicable labour law in Hong Kong. The remuneration package we offer to our employees includes salary, discretionary bonus and medical subsidiaries. We generally determine employee salaries based on each employee's qualification, experience, capability and the prevailing market remuneration rate and we intend to maintain our remuneration package competitive in order to attract and retain talented labour. The performances of our employees are reviewed annually for the purposes of promotion appraisals, salary adjustments and determination of annual bonus.

OUR PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following property for the purpose of our business operation:

Address	**Approximate gross floor area**(Note) *sq. ft.*	**Use of the property**	**Key terms of tenancy**
Unit 1103, 11th Floor, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	1,858	Office	Monthly rental of HK$36,000 plus monthly management fee of HK$5,202.40 with tenancy period from 1 March 2021 to 30 April 2021

Note: The approximate gross floor area is provided by real estate agent.

Our Directors confirm that we leased the above properties from independent third parties.

OUR INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered a trademark and a domain name in Hong Kong. For further details of our intellectual property rights, please refer to the paragraph headed "B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

In preparation for the Listing, in February 2019, we engaged BT Corporate Governance Limited ("**BTCGL**"), an independent internal control adviser, to perform a review on the adequacy and effectiveness of our Group's internal control system. The scope of the internal control review covered the following areas:

— corporate governance practice;

— revenue and receipts;

— purchases and payments;

— project management (with controls over subcontractors);

— capital expenditure management;

— operating expenses and payments;

— human resources and payroll management;

— treasury management (including cash management);

— inventory management;

— financial reporting;

— tax reporting and payments;

— regulatory compliance, licensing and business registration management;

— insurance management;

— industrial safety and environmental protection;

— connected transactions and competing business; and

— I.T. general controls.

BTCGL is a company providing services in internal control review, which has been previously engaged in conducting internal control review for companies applying for listing on the Stock Exchange. BTCGL performed the review of our Group's internal control system from February 2019 to March 2019 and carried out the follow-up review on the status of internal control improvement measures in March 2019. During the internal control review, none of the findings are classified by BTCGL to be material deficiency. Such findings include but not limited to (i) lack of a control list to keep track of the goods delivery status; (ii) lack of written confirmations from customers for confirming the price of variation orders for some of our projects before our commencement of works; and (iii) lack of measures to strengthen the information technology general control. Our Group has implemented appropriate measures to enhance our internal control system in relation to the findings of BTCGL.

In addition, the following sets out the key measures adopted by us under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

Customer concentration risk

Please refer to the paragraph headed "Our customers — Customer concentration" in this section.

Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed "Sales and marketing — Pricing strategy" in this section.

Risk relating to subcontractors' performance

Please refer to the paragraph headed "Our suppliers — Our subcontractors — Control over subcontractors" in this section.

Quality control risk

Please refer to the paragraph headed "Quality control" in this section.

Occupational health and safety risk

Please refer to the paragraph headed "Occupational health and safety" in this section.

Risk relating to employing illegal workers by a subcontractor

Please refer to the paragraph headed "Regulatory Overview — Laws and regulations in relation to labour, health and safety" in this prospectus.

Environmental compliance risk

Please refer to the paragraph headed "Environmental compliance" in this section.

Financial risk

During our business operation, we are generally exposed to financial risks including interest rate risk, credit risk and liquidity risk. For our financial risk management, please refer to the paragraph headed "Financial information — Financial risk and capital management" in this prospectus and Note 29 in the Accountants' Report.

Tax risk

The tax treatment or arrangement in relation to deductible tax items may be subject to the interpretation by tax authorities. Our Group has adopted a tax filing system to enhance our preparation of tax returns and implemented the following measures:

(a) our financial manager is responsible to make tax accrual under the two-tiered profits tax rates regime according to the pre-tax profit of the prior month for our executive Directors' review and approval;

(b) we engaged external tax adviser, with the members of certified public accountants, to assist us for tax matters. The external tax adviser prepare the tax computation and tax return for our finance manager to review and our finance manager will review the data and submit to our executive Directors for approval;

(c) we sponsor our accounting team to attend training courses which related to tax matters;

(d) our executive Directors and financial manager are responsible for the communication with the Inland Revenue Department for tax enquiries. If necessary, we will engage external tax adviser to assist us in relation to the tax enquiries; and

(e) our accounting team together with our executive Directors will ensure the supporting documents are sufficient for the tax deduction claims. If necessary, we will seek tax advice from external tax adviser in relation to the sufficiency of our supporting documents.

Regulatory risk management

Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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. In particular, one of the primary duties of our audit committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems. For further details of the three board committees, please refer to the paragraph headed "Directors and senior management — Board committee" in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code every financial year.

Risk management relating to compliance with the Listing Rules after Listing

In order to ensure continuous compliance with the Listing Rules after Listing, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We have also appointed Grande Capital Limited as our compliance adviser to advise us on compliance issue.

After Listing, our executive Directors will be responsible for overseeing our compliance issues. When considered necessary and appropriate, we will also seek professional advice and assistance from independent professional advisers with regards to matters relating to our legal compliance.

Environmental, social and governance

We are committed to comply with the environmental, social and governance ("**ESG**") reporting requirements upon Listing and have established an ESG policy (the "**ESG Policy**") in accordance with Appendix 27 to the Listing Rules. Our ESG Policy outlined, among others, (i) the identification of key performance indicators ("**KPIs**") and the relevant measurements and (ii) our personnel being responsible for monitoring the KPIs.

Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may access or engage independent third party(ies) to evaluate the ESG risks and review or existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

Compliance culture

Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

LEGAL COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is material or systemic in nature.

ICAC CASE

Background

In early 2014, a former proprietor of an engineering company (the "**Complainant**") who is an independent third party, made several complaints (the "**Complaints**") to the Independent Commission Against Corruption ("**ICAC**"), alleging that our executive Director, Mr. Yeung, among other parties, (1) provided an alleged bribe of HK$150,000 to the Complainant; (2) agreed verbally to provide an alleged bribe of 17.5% of the total contract sum of Project GV (the "**Alleged Reward**") to some relevant parties including the Complainant; and (3) reached a verbal agreement to undertake an alleged bid-rigging in the tendering of Project GV to enable HDC to secure Project GV. The Complainant admitted to the ICAC that at the outset he reported to the ICAC out of personal interest, as he could not recover his portion of the Alleged Reward from a party involved and he wanted to put some pressure on that party to pay by reporting to the ICAC. The Complainant alleged that he later considered that it was conscionable to report the incident to the ICAC as the matter was gaining attention and he regretted what he had done.

Based on the Complaints, the ICAC launched investigations against the parties involved in Project GV, including Mr. Yeung. Mr. Yeung confirmed that he was first approached by the ICAC to assist in the investigation of the alleged bid-rigging and bribery incident in March 2015. The Complainant was subsequently charged with conspiring to offer an advantage to an agent in relation to Project GV and another project based on his admission in the Complaints, and the Complainant pleaded guilty to the charges and was sentenced to 35 months' imprisonment in September 2016. After more than three years of investigation, on 7 August 2018, the ICAC issued a clearance letter informing Mr. Yeung that the investigation against him had been completed and that it was unnecessary to pursue further investigation. Subsequent to the receipt of the clearance letter, Mr. Yeung and our Group have not received any further enquiries from the ICAC regarding the alleged bid rigging activities. As at the Latest Practicable Date, we had not received any claims and potential claims in relation to the alleged bid-rigging incident.

Mr. Yeung categorically denied that he had bribed or offered any reward to any person in order for HDC to obtain the contract of Project GV. He also denied the alleged verbal agreement among the parties in relation to the alleged bid-rigging incident. Our Group identified the tender invitation through a local newspaper in September 2012 and was awarded Project GV based on the voting results of the eligible resident voters of the estate of Project GV, in which our Group had no control over the voting results.

Legal Counsel's View

Our Legal Counsel is of the view that according to the Independent Commission Against Corruption Ordinance (Cap.204) ("**ICACO**"), it is the normal duty of the ICAC to receive and consider complaints alleging corrupt practices and investigate such complaints as it considers practicable. Should there be sufficient evidence to substantiate a contravention of the provisions of the ICACO, charge(s) will be laid against the person arrested. Given the ICAC has already expressed its stance in the clearance letter, our Legal Counsel also opined that there is no real prospect of legal or disciplinary proceedings against Mr. Yeung or any of our Directors for the bid-rigging incident. Despite that the Complainant was convicted by the court for conspiring to offer an advantage to an agent in relation to Project GV and another project, our Legal Counsel opined that the judge in sentencing was merely re-citing the Complainant's allegations and it was unnecessary for the judge to decide whether any of the Complainant's statements as against Mr. Yeung were truthful as the Complainant had pleaded guilty to the charges against him.

Moreover, since no non-compliance has been discovered as a result of the ICAC investigation, the said investigation does not give rise to any adverse influence against the suitability of Mr. Yeung to sit as our Director pursuant to Rules 3.08 and 3.09 of the Listing Rules.

View of our Directors and the Sponsor

Our Directors confirmed and the Sponsor, upon conducted the due diligence works including but not limited to (i) review the reasons of sentence against the independent third party for the bid-rigging incident; (ii) obtain the legal opinion from our Legal Counsel; (iii) obtain and inspect the clearance letter issued by ICAC to Mr. Yeung; (iv) conduct the background searches against the involved individuals and companies and the other bidders of Project GV; and (v) attend the interview with the current committee members of the incorporated owners of Project GV, concurred that there is no indication suggesting that Mr. Yeung has bribed or offered any illegal reward to any person in order to secure Project GV and therefore, the allegations do not affect Mr. Yeung's suitability as our Director under Rules 3.08 and 3.09 of the Listing Rules.

LITIGATION AND CLAIMS

I. Litigation and claims settled during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of settled legal actions, claims and disputes in which we were the defendant and the nature of which includes (i) wage claims by employees of subcontractors and (ii) employees' compensation claims and personal injuries claims against our Group by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor or as another subcontractor. During the Track Record Period and up to the Latest Practicable Date, we settled the following claims as set forth in the table below.

Category of claim	No. of claims	Particulars of the claim	Total amount settled *(approximately HK$)*	Covered by insurance
Wage claims by employees of subcontractors	2	These claims were claims by employees for outstanding wages	10,100	No
Employees' compensation claims and personal injuries claims against our Group by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor or as another subcontractor	12	Seven claims were personal injuries claims and five claims were employees' compensation claims *(Note)*	Save for two claims (DCEC449/2016 and DCPI634/2017) in which we bore 20% of each claim which amounts to approximately HK$335,000 and HK$167,000, respectively, the claims were dealt with and handled by the insurers and our Group does not have knowledge of the amount involved under the claims.	Yes

Note: Two of the claims (i.e. HCPI444/2016 and DCEC1285/2014) were initiated by a fatal accident, Accident A, happened on 23 May 2013 at a construction site where an employee of our Group's subcontractor was fatally injured in the course of work and subsequently certified dead. Two of the claims (DCEC449/2016 and DCPI634/2017) were initiated by a fatal accident, Accident B, happened on 25 March 2014 at a construction site where two employees of our Group's subcontractor were fatally injured in the course of work and subsequently certified dead. For details of the accidents, please refer to the paragraph headed "Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this section.

During the Track Record Period and up to the Latest Practicable Date, we settled one contractual claim in which HDC was the plaintiff. We commenced legal proceedings against Customer B on 5 September 2016, as we were unable to reach an agreement, in which we claimed a sum of approximately HK$31.7 million for failing to pay the outstanding amount due to us under our renovation agreement for carrying out renovation works, together with interests of approximately HK$2.6 million. While Customer B alleged in the defence that it was not obliged to pay due to the alleged bid-rigging, upon the advice of the legal representative of Customer B that the defence was devoid of merits, the owners of the estate where the renovation works involved subsequently resolved in a general meeting that Customer B should reach a settlement with us. On 29 January 2018, the court granted a consent order in relation to the settlement agreed by Customer B and us. All the outstanding amounts had been received by us in February 2018. On 12 February 2018, the legal proceedings had been discontinued and fully settled.

II. Ongoing litigation and claims as at the Latest Practicable Date

Our Directors confirmed that, to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, our Group was involved in the following claims:

(1) Personal injuries claims

As at the Latest Practicable Date, we are involved in the following personal injuries claims.

Case number	Date of the incident	Particulars of the claim	Total amount involved	Coverage of insurance
DCPI496/2019 and HCPI64/2017 (The High Court action was transferred to the District Court)	25 March 2014	An accident happened on 25 March 2014 at a construction site where two employees of our Group's subcontractor were fatally injured in the course of work and subsequently certified dead. For details of the accidents, please refer to the paragraph headed "Occupational health and safety" in this section.	The claim is dealt with and handled by the insurer. The claimant's claim in DCPI496/2019 as pleaded in the statement of damages is HK$1,585,510.00.	Fully covered

(2) Tort claim

In or around 2012, our Group and CBRE Limited (a professional real estate services company) were engaged by the incorporated owners of a residential building as contractor and consultant for renovation work of external wall of such building. The plaintiff, who was the registered owner of a penthouse of the said building, alleged that water seepage was found at his property after the renovation work. He initiated proceedings against the incorporated owners and manager of the said residential building for failing to, among others, keep the common parts in good repair and condition, leading to the seepage. The incorporated owners and manager of the said residential building joined our Group and CBRE Limited as third parties in the proceedings, and sought, among others, injunctive relief against the third parties to make good the defects and indemnity and/or contribution for the plaintiff's claim and the plaintiff's and the defendants' costs. The damages claimed as quantified in the plaintiff's statement of claim is HK$117,300 for costs already incurred by the plaintiff in repairing the property and in engaging a consulting company to prepare an investigation report, while the damages claimed regarding further costs to be incurred in repairing the property and the plaintiff's loss of enjoyment of the property until resolution of the water seepage problems remained to be further assessed, and HDC has already sought contribution of HK$80,000 from CBRE Limited. The claim is not covered by our Group's insurance. After discussing with the legal advisers who handle such claim, our Directors consider that the likely quantum could not be ascertained at such a preliminary stage.

(3) Negligence and contractual claim

In respect of Accident B (as referred to in "Business — Occupational health and safety"), HDC commenced legal proceedings in 2017 as the plaintiff against our subcontractor as the defendant, which supplied and installed the temporary working platforms at our work site (the "**First Defendant**") for negligence and for failure to ensure the temporary working platform was in safe and reasonable condition as required under the subcontracting agreement. The registered examiner engaged by our subcontractor who carried out tests and examinations for the temporary working platform was later joined as the second defendant (the "**Second Defendant**", together with the First Defendant, the "**Defendants**") in the legal proceedings in 2019. We claimed for damages in the sum of approximately HK$47.4 million which include, among others, the additional costs of extra working period required for completing the project, and the costs of reconstructing scaffolding at the external wall damaged by the falling platform.

The First Defendant filed a counter-claim against us for damages in the sum of approximately HK$6.8 million in respect of, among others, (i) unpaid costs for work completed by the First Defendant under the subcontracting agreement; (ii) the claim of the working platform owner for the costs of the working platform and the First Defendant's rental cost from the date of Accident B to the date in which the broken working platform was returned to its owner; and (iii) the loss of rents on other working platforms as a result of the suspension orders issued by the Labour Department. After discussing with the legal advisers who handle such claim, our Directors consider that HDC has a meritorious claim against the Defendants, while the merit of the counterclaim by the First Defendant is relatively low as the counterclaim is strictly subject to proof that the Accident B was not caused by the negligence of or breach of contractual terms by the First Defendant. For details of the Accident B, please refer to the paragraph headed "Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this section. As at the Latest Practicable Date, the trial date had not been fixed yet.

(4) Employees' compensation claim

It was alleged that on 9 November 2020, the applicant, a worker of our subcontractor sustained an eye injury in the course of employment when he was carrying out chiselling work. The claim is covered by our Group's insurance.

Potential litigation in relation to employees' compensation claims and personal injury claims

Potential claims refer to claims which have not been commenced against our Group but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incident pursuant to the Employees' Compensation Ordinance and the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). The accident occurred during the usual and ordinary course of our business and has not caused any material disruption to our business. As court proceedings for such potential claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims. Moreover, there is an insurance policy in place to cover our potential liabilities (if any) in relation to the above. Our Directors are of the view that the amount of such potential claims to be borne by our Group shall be covered by the relevant insurance policy. For further details, please refer to the paragraph headed "Insurance" in this section.

As at the Latest Practicable Date, there was one accident resulting in an eye injury to a worker of our subcontractor while he was carrying out chiselling work which may potentially give rise to a personal injury claim against our Group. The limitation period of the potential personal injury claim arising from the said accident will expire in the financial year ending 31 December 2023.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of our Group as at the Latest Practicable Date.

Indemnity given 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 outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section "E. Other Information — 1. Tax and other indemnities" in Appendix V to this prospectus for details.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), our Company will be owned as to 75% by Harvest Land, which is wholly-owned by Mr. Yeung. Harvest Land and Mr. Yeung are directly and indirectly holding over 30% of the issued share capital of our Company and will be regarded as a group of Controlling Shareholders under the Listing Rules.

Harvest Land is an investment holding company incorporated in the BVI. Mr. Yeung is our executive Director and chairman of our Board. For details of his background and experience, please refer to the paragraph headed "Directors and senior management — Directors" in this prospectus.

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

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 a team of senior management who have substantial experience in the business of our Group. The management team is able to implement the policies and strategies of our Group and performs its roles in our Company independently.

Our Group aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The 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 transactions and shall not be counted in the quorum.

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 Listing.

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. Our Controlling Shareholders have no interest in any of our customers, suppliers or other business partners that are important to our operation.

Further, our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal controls procedures to facilitate the effective operation of our business.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs.

Our accounting and finance personnel 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 and up to the Latest Practicable Date, our Group had certain amounts due from/to our Controlling Shareholders. Please refer to the paragraphs headed "Financial information — Amount due from a director" and "Financial information — Amount due to a director" of this prospectus and Note 19 to the Accountants' Report for further details. All amounts due to our Controlling Shareholders had been settled during FY2017. All amounts due from our Controlling Shareholders will be settled before Listing. In addition, during the Track Record Period, we have arranged for a bank loan, which was secured by personal guarantees of Mr. Yeung and Mrs. Yeung. Our Directors confirm that all such personal guarantees will be released prior to or upon the Listing.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the future 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.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/ senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s), and/or senior management
Executive Directors						
Mr. Yeung Wing Sun (楊永燊先生) (formerly known as Mr. Yeung Wing Shun (楊永迅先生))	52	Executive Director and chairman of our Board	13 March 2019	1 June 1999	Overall management and formulation of business strategies of our Group	Nil
Mr. Chan Leung (陳亮先生)	57	Executive Director and chief executive officer of our Group	25 March 2019	5 November 2013	Supervision of operation of our Group	Nil
Non-executive Director						
Mr. Li Fat Chung (李發中先生)	60	Non-executive Director	25 March 2019	25 March 2019	Providing advice on our Group's strategy, performance and standard of conduct	Nil
Independent non-executive Directors						
Mr. Mak Alexander (麥曉峯先生)	52	Independent non-executive Director	15 March 2021	15 March 2021	Providing independent advice to our Board	Nil
Ms. Chan Mei Wah (陳美樺小姐) (formerly known as Ms. Chan Kit Fun (陳潔芬小姐))	52	Independent non-executive Director	15 March 2021	15 March 2021	Providing independent advice to our Board	Nil
Mr. Wu Hak Ping (胡克平先生)	57	Independent non-executive Director	15 March 2021	15 March 2021	Providing independent advice to our Board	Nil

Name	Age	Present position	Date of appointment as Director/ senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s), and/or senior management
Senior management						
Mr. Cheung Sam Fai (張三輝先生)	38	Senior project manager	1 February 2019	5 October 2009	Overseeing and managing project execution and operation	Nil
Mr. Lee Wai Sing Bruce (李維聖先生)	44	Project manager	1 April 2018	26 April 2007	Overseeing and managing project execution and operation	Nil
Ms. Lai Yi Man (黎綺雯女士)	44	Administration manager	1 March 2017	17 March 2005	Managing administrative matters	Nil
Ms. Tsang Fung Ling (曾鳳玲女士)	49	Finance manager	1 June 2018	27 February 2008	Managing financial matters	Nil

DIRECTORS

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The particulars of our Directors are set forth below:

Executive Directors

Mr. Yeung Wing Sun (楊永燊先生) (formerly known as Mr. Yeung Wing Shun (楊永迅先生) and he changed his name to Yeung Wing Sun (楊永燊) on 4 October 1996), aged 52, was appointed as a Director on 13 March 2019 and was re-designated as an executive Director on 25 March 2019. He also serves as the chairman of our Board. He is primarily responsible for the overall management and formulation of business strategies of our Group. He is also a director of all our subsidiaries, namely Keybase Assets, HDC and HDE.

Mr. Yeung has over 20 years of experience in the construction industry. He joined our Group as project manager in June 1999. Mr. Yeung then obtained various certificates from the Construction Industry Training Authority, including interim certificate for qualifying site supervisors as technically competent persons (modules 1 and 2) in September 1999, interim certificate for qualifying site supervisors as technically competent persons (T1 to T3) (module 2) in November 1999, qualifying site supervisors as technically competent persons equivalent certificate (1) (modules 1, 2, 3 and 4) in February 2001, certificate for qualifying site supervisors as technically competent persons (module 4) in June 2001 and certificate for qualifying site supervisors as technically competent persons (module 6.1) in November 2002. Mr. Yeung also completed various courses held by the Construction Industry Training Authority, including the theory upgrading course for in-service plumbers in March 1998 and defect diagnosis and remedy (reinforced concrete) course in May 1998. He further completed the occupational safety management course held by the Occupational Safety & Health Council in March 2013.

Mr. Yeung had experienced financial difficulty as a result of the Asian financial crisis in 1997 and had defaulted in completion of a property transaction in January 1998. In January 1999, the property owners instituted legal proceedings against Mr. Yeung for damages for failing to complete the property transaction. In May 2000, the High Court of Hong Kong awarded the judgment in favour of the property owners and Mr. Yeung was ordered to pay a sum totalling approximately HK$763,000 in December 2004 (the "**Judgment Debt**"). As Mr. Yeung could not repay the Judgment Debt, in December 2005, the property owners filed a bankruptcy petition against Mr. Yeung to the High Court of Hong Kong. Mr. Yeung was adjudicated bankrupt by virtue of a bankruptcy order made by the High Court of Hong Kong on 29 March 2006. From June 2000 to October 2006, Mr. Yeung only received a total income of HK$880,000. From November 2006 to March 2011, Mr. Yeung did not receive any salary from HDC taking into account his limited role and involvement in HDC. Therefore, during the period from June 2000 to March 2011, other than the said income, Mr. Yeung's daily subsistence was supported by Mrs. Yeung. Due to Mr. Yeung's financial situation, Mr. Yeung was unable to pay the Judgment Debt before his discharge from bankruptcy in March 2010. Pursuant to section 30A of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong), a bankruptcy is discharged from bankruptcy by the expiration of four years where the bankrupt has not been previously been adjudged bankrupt. Accordingly, Mr. Yeung was discharged from bankruptcy by an order of the High Court of Hong Kong on 29 March 2010 and the discharge released him from all the bankruptcy debts.

Our Company confirms that the Judgment Debt was not incurred in the course of any business carried on by Mr. Yeung. Having regard to (i) the discharge of Mr. Yeung's bankruptcy in March 2010; (ii) as advised by the Legal Counsel, the reason for the bankruptcy did not relate to any fraud or dishonesty and would not have any negative impact on Mr. Yeung's integrity which may in turn affect his suitability as an executive Director of our Group; and (iii) Mr. Yeung's work experience and contribution to the success of our Group, our Directors believe that Mr. Yeung has the character, experience and integrity to act as a Director and will be able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer as required under Listing Rules.

In connection with the two-tier trust arrangement of the shares of HDC and HDE, Mr. Yeung was of the belief that he was not the ultimate beneficial owner of both HDC and HDE and he did not regard both HDC and HDE as his own assets which had to be disclosed to the bankruptcy trustee, so that he did not draw the attention of the Official Receiver's Office to the two-tier trust arrangement of both HDC and HDE. We have engaged the Senior Counsel in connection to the validity and legality of the two-tier trust arrangement. As advised by the Senior Counsel, to the best of Mr. Yeung's knowledge and belief back then, he did not have ownership of the underlying shares to the two-tier trust arrangement and was therefore not under any obligation to disclose them to the Official Receiver's Office. As Mr. Yeung did not have beneficial interest to the shares of HDC and HDE, it would also contradict principles of equity if such shares were to be used to repay his debts. The Senior Counsel is therefore of the view that there was unlikely any legal obligation for Mr. Yeung to have to disclose the two-tier trust arrangement to the Official Receiver's Office at the time of the bankruptcy order. On the basis of the Senior Counsel's view that the two-tier trust arrangements are valid, the Senior Counsel is of the view that the relevant shares in HDC and HDE which effectively and beneficially belonged to Mrs. Yeung fall outside the bankruptcy regime altogether and will unlikely constitute transactions at undervalue.

Mr. Chan Leung (陳亮先生), aged 57, was appointed as an executive Director on 25 March 2019. He also serves as the chief executive officer of our Group. He is primarily responsible for the supervision of operation of our Group. He was approved by the Buildings Department to be an Authorised Signatory for HDC as a Registered General Building Contractor in November 2013 and to become a Technical Director of HDC in January 2016. He is also a director of HDC.

Mr. Chan has over 25 years of experience in the construction industry. Mr. Chan joined our Group as Authorised Signatory in November 2013 and has been promoted to act as a director of HDC in September 2014. Before joining our Group, Mr. Chan joined Tom Ip & Partners, Architects, Engineers & Development Consultants Limited as a clerk of works in May 1987 and left as an assistant project officer in March 1990. Mr. Chan was a clerk of works of Simon Kwan & Associates Limited from April 1990 to March 1991.

Mr. Chan then worked as a clerk of works in Chows Architects Limited from November 1991 to February 1996, in Alex Wong & Partners Limited from March 1996 to November 1996, in Chows Architects Limited from December 1996 to August 1998 and in Cheung Kong (Holdings) Limited from September 1998 to January 1999. He joined Vigers Building Consultancy Limited as a clerk of works in February 1999 and left as a senior project manager in March 2008. He was a director of Ymt Engineering Company Limited from March 2016 to March 2019 and Yso Engineering Company Limited from January 2013 to November 2019, respectively.

Mr. Chan is currently a director of Ho Ding Engineering Co. Limited and Yso Engineering (Building) Company Limited. Ho Ding Engineering Co. Limited principally engages in timber formworks and metal moulding. Yso Engineering (Building) Company Limited principally engages in interior repair and maintenance works. Having considered the differences in (i) principal business activities, (ii) combination of major customers and suppliers; (iii) operational scale; and (iv) licence and registration, these companies do not, directly or indirectly, compete with the business of our Group. In particular, Yso Engineering (Building) Company Limited focuses on small-scale interior repair and maintenance works for individual units while our Group's RMAA works mainly involve the upkeep, restoration and improvement of existing buildings and facilities as a whole and we occasionally provide additional ancillary services in the common areas of those existing buildings. Mr. Chan confirms that he plays a passive role and has little involvement of daily management in these companies as the day-to-day management and business operations of these companies are managed by his business partners. Therefore, our Directors consider that Mr. Chan has been and will be able to devote sufficient time to discharge his duties and responsibilities as an executive Director.

Mr. Chan obtained a higher diploma in structural engineering from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1987. In November 1997, Mr. Chan further obtained a post-experience certificate in clerks of works studies from The Hong Kong Polytechnic University.

Non-executive Director

Mr. Li Fat Chung (李發中先生), aged 60, was appointed as a non-executive Director on 25 March 2019. He is responsible for providing advice on our Group's strategy, performance and standard of conduct.

Mr. Li has been in the field of accounting and financing for over 40 years. From September 1978, Mr. Li worked at KPMG (formerly known as Peat, Marwick, Mitchell & Co.) and left in May 1983 as a supervisor. He was a financial controller of Happy Trading Co. from June 1983 to July 1984, an assistant accountant of Arabian Gulf Investments (Far East) Limited from July 1984 to September 1986, a manager of accounts department and subsequently a financial controller of BNP Paribas (formerly known as Banque Nationale de Paris) from September 1986 to June 1992. He has been a partner of Chan, Li, Law & Co. and a director of Chan, Li, Law CPA Limited since January 1989 and January 2013, respectively. The statutory financial statement of HDC for FY2016 was audited by Chan, Li, Law CPA Limited.

Mr. Li was an independent non-executive director of Founder Holdings Limited (stock code: 418) from December 1995 to March 2020 and Peking University Resources (Holdings) Company Limited (formerly known as EC Founder (Holdings) Company Limited) (stock code: 618) from September 2004 to March 2020, respectively.

Mr. Li graduated from The University of Warwick with a master's degree in business administration in July 1992 through a distance learning programme. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong. He is also a Certified Tax Adviser of the Taxation Institute of Hong Kong.

Independent non-executive Directors

Ms. Chan Mei Wah (陳美樺小姐) (formerly known as Ms. Chan Kit Fun (陳潔芬小姐)), aged 52, was appointed as an independent non-executive Director on 15 March 2021.

Ms. Chan has been in the field of accounting for over 25 years. Ms. Chan joined Li, Tang, Chen & Co. in August 1992 and left in July 2010 as a senior audit manager. She was a senior audit manager of Moore Stephens Associates Limited from December 2010 to July 2011. Ms. Chan has been a director of SAA Corporate Services Limited (formerly known as King Charter Development Limited) and SAA CPA Limited since May 2011 and October 2011, respectively.

Ms. Chan graduated from City University of Hong Kong with a bachelor's degree of arts in accountancy in November 1992. She has been an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since June 1997.

Mr. Mak Alexander (麥曉峯先生), aged 52, was appointed as an independent non-executive Director on 15 March 2021.

Mr. Mak has been in the legal practice for over 25 years. Mr. Mak was admitted as a solicitor in Hong Kong in June 1997 and a lawyer in New South Wales, Australia in July 1995. He has been appointed as a Civil Celebrant of Marriages since May 2006 and a China-Appointed Attesting Officer since December 2015. Mr. Mak was an associate of Henry H.C. Wong & Co. from June 2004 to February 2006. Since October 2012, he has been the founder and sole proprietor of Mak Solicitors. Mr. Mak is also a director of Greenest Limited, which principally engages in the provision of consultancy services.

Mr. Mak graduated from The University of New South Wales with a bachelor's degree of commerce in accounting and a bachelor's degree of law in October 1994. He subsequently obtained from City University of Hong Kong a master's degree of laws in Chinese and comparative law in November 2003 and a master's degree of arts in arbitration and dispute resolution in November 2006.

Mr. Wu Hak Ping (胡克平先生), aged 57, was appointed as an independent non-executive Director on 15 March 2021.

Mr. Wu has over 30 years of experience in the field of engineering. Mr. Wu joined Wormald Engineering Services Limited as electrical engineer in June 1989 and left as an electrical manager in July 1993. He then joined Meinhardt (M&E) Limited as residential engineer from November 1993 to April 1997 and joined Notifier Pacific Rim as regional sales manager in April 1997. Mr. Wu was a director of Martech Building Consultants Limited, a company engaging in the provision of building renovation consultancy services, from January 2003 to May 2008, of Mak Tai Construction & Engineering Limited, a building renovation contractor, from February 2005 to September 2006 and of Diploma Construction Limited, a building contractor, from July 2006 to November 2010, respectively. Since December 2012 and May 2015, respectively, Mr. Wu has been a director and the chief executive officer of Modern Testing Consultants Limited, a company engaging in the provision of building consultancy services. Mr. Wu has also been a director of Nixon Wu Engineering Consultant Limited, a company engaging in the provision of building consultancy services, since July 2015.

Mr. Wu graduated from The Queen's University of Belfast in Northern Ireland, the United Kingdom with a bachelor's degree of electrical and electronic engineering in July 1989 and further obtained a bachelor's degree of fire engineering from The University of Central Lancashire in the United Kingdom in September 1997 through a distance learning programme. Mr. Wu has become a member of the Institute of Energy and a chartered engineer of the Engineering Council in the United Kingdom since April 1999 and May 1999, respectively. He has been admitted as a member of the Hong Kong Institute of Engineers since November 2012. He has also become a level-II certified infrared thermographer of the Infraspection Institute since March 2019. He is currently a registered professional engineer of the Engineers Registration Board.

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.

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Four of our Directors were directors of the following companies which were incorporated in Hong Kong prior to their respective dissolution. Each of the relevant Directors confirmed that the companies were solvent and inactive at the time of their dissolution and that their dissolution had not resulted in any liability or obligation against them. The following are details of the aforementioned dissolved companies:

Relevant Directors	Name of Company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Mr. Yeung	Hong Dau Leung Hing Construction Company Limited	Hong Kong	No business operation	7 December 2001	Deregistration
	Unity Development (HK) Limited	Hong Kong	No business operation	2 January 2015	Deregistration
	Sky Construction Engineering (HK) Limited *(Note)*	Hong Kong	No business operation	9 February 2018	Deregistration
Mr. Chan Leung	Mark Billion Investment Limited	Hong Kong	Accounting and company secretarial services	9 September 1999	Members' voluntary winding up
	Crystal Time Company Limited	Hong Kong	RMAA	23 April 2004	Deregistration
	Oriental Fine Limited	Hong Kong	Accounting and company secretarial services	11 August 2006	Deregistration
	Ymt Engineering Company Limited	Hong Kong	Interior repair and maintenance works	8 March 2019	Deregistration
Mr. Li Fat Chung	Chan, Li, Law & Co. Club Limited	Hong Kong	Holding membership at Hill Top Country Club for the use of the then partners of Chan, Li, Law & Co.	28 April 2000	Deregistration
	Connian Limited	Hong Kong	Property sub-letting	24 January 2003	Striking off
	Winner Investments Limited	Hong Kong	Property investment (for own office use)	26 June 2009	Deregistration
	Fung Ki Limited	Hong Kong	Property investment (for own office use)	10 May 2013	Deregistration
Mr. Wu Hak Ping	New Master Asia Limited	Hong Kong	Contractor in electrical conduit laying works	23 August 2002	Deregistration
	Martech Building Consultants Limited	Hong Kong	Building renovation consultancy	23 May 2008	Striking off
	Eco Sky Technology Limited	Hong Kong	Trading LED light bulbs	30 April 2015	Deregistration
	APS Partnership Limited	Hong Kong	Building renovation consultancy	17 November 2017	Deregistration
	Hong Kong Advanced Intelligent Integration Limited	Hong Kong	Trading home intelligent control products	16 March 2018	Striking off
	Modern Infratech Limited	Hong Kong	Infrared thermography works	17 August 2018	Deregistration

Note: During the Track Record Period, Mr. Yeung also had interest in Sky Construction Engineering (HK) Limited ("**Sky Construction**"), a company incorporated in Hong Kong on 16 March 2016 with limited liability and was owned as to 50% by Mr. Yeung and 50% by one Mr. Pun Siu Hong an independent third party. Sky Construction had no business operation since the date of incorporation and was deregistered on 9 February 2018. Mr. Yeung confirms that, during the Track Record Period and up to the date of deregistration, Sky Construction had no material non-compliance issues or had not been involved in any material claims or legal proceedings.

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 members, substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (c) he/she does not have any interests in the 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 prospectus; (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 that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code contained in Appendix 14 to the Listing Rules after the Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

Board Diversity Policy

Our Company has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our nomination committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on annual basis.

Due to the industry nature of our business as a contractor specialising in RMAA works in Hong Kong and the prevailing gender dominance in the industry, our Board comprises five male members and one female member. Our Directors have a balanced mix of experiences, including business management, business development, industry knowledge, corporate governance and compliance, finance, auditing and accounting experiences. The education background of our Directors ranges from structural, electrical, electronic and fire engineering, accounting, finance and business administration to law, from the education institutions in Hong Kong, United Kingdom to Australia.

SENIOR MANAGEMENT

Mr. Cheung Sam Fai (張三輝先生), aged 37, is our senior project manager who is primarily responsible for overseeing and managing project execution and operation. He was approved by the Buildings Department to become an other officer (as defined by the Buildings Ordinance) of HDC in January 2016.

Mr. Cheung has around 15 years of experience in the construction industry. Before joining our Group, he worked as a site supervisor in Madison (Hong Kong) Limited from June 2006 to June 2008 and as a project coordinator in Able Maintenance Company Limited from July 2008 to September 2009. He joined our Group as a site supervisor in October 2009, as a senior site supervisor from March 2012 to January 2014, as a site agent from February 2014 to January 2015, as an assistant project manager from February 2015 to December 2016 and as a project manager from January 2017 to January 2019. He has been promoted to senior project manager since then.

Mr. Cheung obtained a diploma in building studies from the Hong Kong Institute of Vocational Education in July 2004 and obtained a higher diploma in building technology and management (surveying) from the Hong Kong Polytechnic University in December 2006. He further obtained a degree of bachelor of science in building engineering and management from the Hong Kong Polytechnic University in November 2010. Mr. Cheung also completed various construction courses. He completed two 3-day metal scaffolding supervisor courses organised by Hong Kong Human Resources Ltd. and the Construction Industry Council in October 2015 and April 2019 respectively and the 42-hour construction safety supervisor course organised by the Construction Industry Training Authority in June 2007.

Mr. Lee Wai Sing Bruce (李維聖先生), aged 44, is our project manager who is primarily responsible for overseeing and managing project execution and operation.

Mr. Lee has over 15 years of experience in the construction industry. Prior to joining our Group, he worked in Urban Property Management Limited from July 2003 to April 2007 and left as a technical officer. He joined our Group as a site supervisor in April 2007 and is currently a project manager.

Mr. Lee is a holder of grade I plumber's licence issued by the Water Supplies Department. He completed the general course (engineering stream) held by Hong Kong Institute of Vocational Education in September 1999. Mr. Lee obtained various certificates from the Construction Industry Training Authority, including craft certificate in wood trade in August 1992, advanced certificate in carpentry and joinery in June 1993, craft certificate in trowel trade in August 1994 and plumber trade test certificate in August 2000. He further obtained various certificates from the Vocational Training Council or Hong Kong Institute of Vocational Education, including craft certificate in plumbing and pipefitting in August 1998, certificate in plumbing service (Hong Kong) in October 1999, certificate in building studies (building option) in July 2001 and higher certificate in building studies in July 2003. He also completed a 30-day course in Enhanced Construction Manpower Training Scheme in Metal Scaffolding (Civil Engineering and Building Construction) organised by the Hong Kong Institute of Construction in July 2019.

Ms. Lai Yi Man (黎綺雯女士), aged 44, is our administration manager who is primarily responsible for managing administrative matters.

Ms. Lai has over 20 years of experience in business administration. Before joining our Group, she worked as a corporate communications coordinator in The Hong Kong School of Motoring Limited from July 1999 to December 2002 and worked as an administrative assistant in Asian Express International Movers Limited from January 2003 to January 2004. In January 2004, she joined NSA Far East Limited (currently known as The Juice Plus Company Of Far East Limited) as an executive secretary and resigned in March 2005. She joined our Group as an administration assistant in March 2005 and worked as an administration executive from March 2008 to February 2017. She has been promoted to administration manager since then.

Ms. Lai graduated from the City University of Hong Kong in July 1999 and obtained a higher diploma in English for professional communication.

Ms. Tsang Fung Ling (曾鳳玲女士), aged 49, is our finance manager who is primarily responsible for managing financial matters.

Ms. Tsang has over 25 years of experience in accounting. Before joining our Group, she worked in Chan, Seing & Co. from August 1993 to April 1998 and left as a senior audit assistant in April 1998. She worked as an audit senior in Tony Kwok Tung Ng & Co. from June 1998 to June 2000, as an accountant in Wittis Electronics Limited from July 2000 to August 2001 and as an administration officer in Alexchoi Design & Partners Limited from August 2002 to March 2003. She joined our Group as an accounts clerk in February 2008 and worked as an accounts officer from February 2008 to June 2018. She has been promoted to finance manager since then.

Ms. Tsang obtained a bachelor's degree of arts in business accounting from the University of Lincolnshire & Humberside through distance learning in April 1999. She passed the accounting (third level) examination held by the London Chamber of Commerce and Industry in June 1993. She was awarded a level IV national vocational qualification in accounting (practice & commerce) by the Association of Accounting Technicians and was accredited as an accounting technician by the Hong Kong Association of Accounting Technicians in June 1993 and October 1993, respectively. Ms. Tsang further achieved a pass in the certificate stage examinations held by the Association of Chartered Certified Accountants in June 1996.

Save as disclosed above, each of the senior management has not held any 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

Ms. Leung Sau Fong (梁秀芳女士) was appointed as our company secretary on 15 March 2021.

Ms. Leung has over 20 years of experience in company secretarial affairs.

Ms. Leung has been an associate member of The Hong Kong Institute of Chartered Secretaries since March 1996. Ms. Leung obtained a bachelor's degree in laws from the University of London, in the United Kingdom through a distance learning programme in August 2000 and a diploma in Chinese professional laws jointly offered by the Chinese University of Political Science and Law in the PRC and Bolin Institute in Hong Kong in November 1996. She is also the company secretary of various companies listed on the Stock Exchange.

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 C.3.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules pursuant to a resolution of our Directors passed on 15 March 2021. The primary duties of the 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 provide 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, the audit committee comprises of Ms. Chan Mei Wah, Mr. Li Fat Chung, Mr. Mak Alexander and Mr. Wu Hak Ping. Ms. Chan Mei Wah is the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 15 March 2021 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B.1.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the 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, the remuneration committee comprises Mr. Mak Alexander, Mr. Li Fat Chung, Ms. Chan Mei Wah and Mr. Wu Hak Ping. Mr. Mak Alexander is the chairperson of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 15 March 2021 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are, among others, to review the structure, size, composition and diversity of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, the nomination committee comprises Mr. Wu Hak Ping, Mr. Li Fat Chung, Ms. Chan Mei Wah and Mr. Mak Alexander. Mr. Wu Hak Ping is the chairperson of the nomination committee.

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 Listing Date and ending on the date on which our Company distributes annual report in respect of its financial results for the first full financial year commencing after the Listing Date. 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 propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where business activities, developments or results of our Company deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

REMUNERATION POLICY

Our Directors and senior management members 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 Listing, our Directors and senior management members may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, 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$1.1 million, HK$1.4 million, HK$1.4 million, HK$1.7 million, and HK$1.2 million, respectively.

For FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately HK$2.7 million, HK$2.8 million, HK$2.7 million, HK$3.1 million, and HK$2.3 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors for the year ending 31 December 2021 will be approximately HK$2.7 million. Upon completion of the Listing, the 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.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by our Group to our Directors and the five highest paid individuals in respect of each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the 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 Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons will have an interest or short position in the 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 held as at the date of submission of application for the Listing	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer *(Note 1)*	Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Harvest Land *(Note 2)*	Beneficial owner	100 Shares	750,000,000 (L)	75%
Mr. Yeung *(Note 3)*	Interest in a controlled corporation *(Note 2)*	100 Shares	750,000,000 (L)	75%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.

2. Our Company will be owned as to 75% by Harvest Land immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme). Harvest Land is wholly-owned by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the same number of Shares held by Harvest Land.

3. Mrs. Yeung is the spouse of Mr. Yeung. Under the SFO, Ms. Yu So Yin is deemed to be interested in the same number of Shares in which Mr. Yeung is interested.

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), have an interest or short position in 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings 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 completion of the Capitalisation Issue and the Share Offer.

Authorised share capital:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000

Assuming the Over-allotment Option is not exercised and without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Share Offer will be as follows:

Shares		*HK$*
100	Shares in issue as at the Latest Practicable Date	1
749,999,900	Shares to be issued pursuant to the Capitalisation Issue	7,499,999
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
1,000,000,000	Total	10,000,000

Assuming the Over-allotment Option is exercised in full and without taking into any Share which may be allotted and issued upon the exercise of any option that which be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer will be as follows:

Shares		*HK$*
100	Shares in issue as at the Latest Practicable Date	1
749,999,900	Shares to be issued pursuant to the Capitalisation Issue	7,499,999
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
37,500,000	Shares to be issued upon exercise of the Over-allotment Option	375,000
1,037,500,000	Total	10,375,000

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and Shares are issued pursuant to the Share Offer. It takes no account of any Share that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Share in the hands of the public.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

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 prospectus.

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 Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

(a) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share which 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 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 Company's next annual general meeting; or

(b) the date by which our Company's 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 the 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 15 March 2021'' in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer 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 listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share which 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 Listing Rules (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 the Shares'' in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the date by which our Company's 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 the Shares'' in Appendix V to this prospectus.

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 meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix IV to this prospectus.

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, development and Reorganisation" in this prospectus.

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 prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are a contractor specialising in RMAA works in Hong Kong. During the Track Record Period, we undertook repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage work, and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, the design of new structural works and the checking of structural adequacy of existing constructions and interior decoration works to the existing premises. During each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group derived revenue from the provision of RMAA works in Hong Kong of approximately HK$186.0 million, HK$230.6 million, HK$302.0 million, HK$334.2 million and HK$237.1 million, respectively.

During the Track Record Period, most of our projects were project-based while some were on term-contract basis.

For the project-based contracts, we have completed 67 projects during the Track Record Period and the aggregate original contract sum of which amounted to approximately HK$1,493.3 million.

For the term-based contracts, we have undertaken 11 term contracts that contributed revenue to our Group during the Track Record Period and the aggregate original contract sum of which amounted to approximately HK$185.8 million. We were responsible for the provision of general building repair for specified properties with a fixed term of three years based on the requests by the customer on an order-by-order basis.

As at the Latest Practicable Date, we had 12 on-going project-based contracts and one existing term-based contract, the aggregate original contract sum of which amounted to approximately HK$541.9 million and HK$61.0 million, respectively. As at 30 September 2020, the aggregate contract value to be recognised on or after 1 October 2020 was approximately HK$347.7 million.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

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

Market demand of the RMAA industry

Our results are affected by the number and availability of RMAA projects in Hong Kong, which in turn are affected by several factors, including but not limited to change in laws and regulation of Hong Kong and Hong Kong Government policies related to the Hong Kong construction industry, and the amount of investment to be devoted in improvement of existing buildings. In particular, during the Track Record Period, all of our revenue was contributed from RMAA projects in Hong Kong. The changes may increase or decrease the demand of our services. There is no guarantee that the number of RMAA projects will not decrease in the future. In the event that the demand of RMAA services decrease as a result of the reduction in the number of RMAA projects in Hong Kong, our profitability and financial performance may be adversely and materially affected.

Our Group mainly derives its revenue from projects of a non-recurrent nature, there is no guarantee that our Group can secure new contracts

During the Track Record Period, our Group's derived revenue substantially from contracts or work orders, which are contract-based and on a non-recurring basis. Thus, its number of customers may vary from year to year. We approached our existing and potential customers and secured new businesses mainly through (i) open tenders published in local newspaper or website and (ii) direct invitation for tender or quotation by our customers or their consultants. Upon our submission of tender or quotation documents, it is subject to customers' decision as to whether we can secure the engagement. There are a number of factors in determining the success rate on project tendering, such as our tender strategy, the number of tenders in each year and the tenders submitted by our Group's competitors for each project. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's success rate on project tendering and quotation was approximately 19.7%, 19.8%, 21.3%, 23.5% and 29.0%, respectively. Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts or has not commenced work for any of its new contracts, its revenue and financial performance may be adversely affected.

Estimation of our project costs and determination of our tender or quotation price of our projects

In preparation of our Group's tenders or quotations, our estimations are based on the available information provided to us by potential customers and taking into account our then prevailing level of available resources including our subcontractors, labour, construction materials, and the length and complexity of relevant projects. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects or there has any delay for the projects due to various reasons. Our Group may suffer losses if there is any underestimation or overrun, therefore, our tenders or quotations may have inherent risks, such as the risk of losses from underestimated costs, liquidated damages for delayed completion, unforeseen difficulties in completing the projects or incidents that may cause increase in its any unexpected time or cost. Any material inaccurate estimation in the time and costs involved in a project would give rise to delays in completion of works and/or cost overruns, which in turn would materially and adversely affect our Group's financial condition, profitability and liquidity.

Cost and performance of our subcontractors

Our cost of services mainly comprises subcontracting fees. During the Track Record Period, we engaged subcontractors to perform a substantial portion of the works under our projects. For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, our Group's subcontracting fees amounted to approximately HK$152.3 million, HK$194.8 million, HK$246.5 million, HK$266.8 million and HK$188.8 million, representing approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our Group's total cost of services, respectively. As a result, our profitability heavily depends on our ability to control and manage our subcontracting fees. In addition, the subcontracting arrangement also exposes us to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. If those happens to our subcontractors in our projects, we will have to appoint replacement subcontractor(s) and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. In addition, our inability to hire qualified subcontractors may hinder our ability to complete a project successfully. These factors may materially and adversely affect our Group's financial condition, profitability.

Fluctuation in our subcontracting fees

Subcontracting fees represent a significant portion of our cost of services. During the Track Record Period, subcontracting fees accounted for approximately 94.6%, 98.2%, 98.9%, 98.3% and 97.9% of our cost of services for FY2016, FY2017 and FY2018, FY2019 and the nine months ended 30 September 2020, respectively. In case of any significant increase in the subcontracting fees, and if our Group is unable to pass such increase to our customers, our business and profitability may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profit before income tax during the Track Record Period. As a major factor affecting subcontracting fees is, in the opinion of our Directors, labour costs, the hypothetical fluctuation rates are set at –2.4% and 13.2%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wages of workers engaging in RMAA works in

Hong Kong, respectively, from 2014 to 2019 as shown in the F&S Report (see section headed "Industry overview — Cost structure analysis — Average daily wages of workers engaged in RMAA works" in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our subcontracting fees	–2.4%	–13.2%	+2.4%	+13.2%
Increase/(decrease) in profit before income tax *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FY2016	3,656	20,107	(3,656)	(20,107)
FY2017	4,675	25,712	(4,675)	(25,712)
FY2018	5,917	32,542	(5,917)	(32,542)
FY2019	6,402	35,211	(6,402)	(35,211)
Nine months ended 30 September 2020	4,531	24,918	(4,531)	(24,918)

Note: Our profit before income tax was approximately HK$17.6 million, approximately HK$21.9 million, approximately HK$51.5 million, approximately HK$38.0 million and approximately HK$34.7 million for each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Please refer to Note 2 to the Accountants' Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in Note 4 to the Accountants' Report.

Some of the accounting policies involve judgments, 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 5 to the Accountants' Report.

Revenue recognition

Revenue from provision of RMAA works

Our Group provides RMAA works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the RMAA works performed by our Group create or enhance a property that the customer controls as the property is created or enhanced. Revenue from provision of RMAA works is therefore recognised over time using output method, i.e. based on surveys of works completed by our Group to date with reference to the payment certificates certified by authorised persons or external consultants appointed by the customers. Our Directors consider that the output method would faithfully depict our Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

For certain RMAA works under term contracts, revenue is recognised when our Group rendered the services and has right to payment and the collection of the consideration is probable.

Our Directors consider that the adoption of HKFRS 15 did not have significant impact on our financial position when comparing to that of HKAS 18 and HKAS 11 during the Track Record Period.

Adoption of HKFRS 9

Impairment of financial assets

Our Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amount due from a director and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Our Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions as well as the forecast of future conditions as at the reporting date, including time value of money where appropriate.

For all other instruments, such as deposits, other receivables and amount due from a director, our Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, our Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition. In determining the ECL, our Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. Hence, our Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in our Group's outstanding balances is insignificant.

Our Directors consider that the adoption of HKFRS 9 did not have significant impact on our financial position and performance when compared to that of HKAS 39 during the Track Record Period.

Provision of ECL for trade receivables and contract assets

Our Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates.

Our Group recognised loss allowances on trade receivables of approximately HK$1.1 million, HK$0.7 million, HK$1.7 million and HK$1.6 million during FY2016, FY2017, FY2019 and the nine months ended 30 September 2020, respectively, and reversed loss allowances of approximately HK$40,000 during FY2018. Our Group recognised loss allowances on contract assets of approximately HK$82,000, HK$0.4 million, HK$0.4 million and HK$0.4 million during FY2016, FY2017, FY2019 and the nine months ended 30 September 2020, respectively, and reversed loss allowances of approximately HK$0.1 million during FY2018.

Adoption of HKFRS 16

Our Group adopted HKFRS 16 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 16 did not have material impact on our Group's financial position and performance during Track Record Period, as compared to the adoption on HKAS 17 Leases. The adoption resulted in more detailed disclosures of the historical financial information of our Group during the Track Record Period.

SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020 are summarised below, which have been extracted from the Accountants' Report:

Consolidated statements of profit or loss and other comprehensive income

					Nine months ended 30 September	
	FY2016	**FY2017**	**FY2018**	**FY2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	185,975	230,558	301,978	334,249	255,574	237,102
Cost of services	(160,978)	(198,366)	(249,239)	(271,339)	(208,623)	(192,738)
Gross profit	24,997	32,192	52,739	62,910	46,951	44,364
Other income and gains	954	232	3,947	—	—	794
Administrative expenses	(7,189)	(9,374)	(5,325)	(9,029)	(7,259)	(4,301)

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Loss allowances on trade receivables and contract assets	(1,166)	(1,083)	162	(2,138)	(3,202)	(2,027)
Listing expenses	—	—	—	(13,599)	(10,425)	(3,971)
Finance costs	(17)	(29)	(37)	(157)	(136)	(115)
Profit before income tax	17,579	21,938	51,486	37,987	25,929	34,744
Income tax expense	(3,001)	(3,596)	(8,310)	(8,343)	(5,840)	(6,088)
Profit and total comprehensive income for the year/period	14,578	18,342	43,176	29,644	20,089	28,656
Non-HKFRS measures						
Add: Listing expenses	—	—	—	13,599	10,425	3,971
Adjusted profit	14,578	18,342	43,176	43,243	30,514	32,627

We recognised listing expenses in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit as non-HKFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our Group's revenue was derived from our services for the provision of RMAA works in Hong Kong. For detailed breakdowns of our revenue during the Track Record Period by our role in the project and contract nature (main contractor or subcontractor; project-based or term-contract based), type of buildings (residential, commercial and industrial or institutional organisation) and number of projects by range of revenue recognised, please refer to the paragraphs headed "Business — Overview" and "Business — Our projects" in this prospectus.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the discussion of the change 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:

									Nine months ended 30 September			
	FY2016		FY2017		FY2018		FY2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
									(Unaudited)			
Subcontracting fees	152,328	94.6	194,786	98.2	246,529	98.9	266,751	98.3	205,234	98.4	188,773	97.9
Direct labour costs	4,022	2.5	3,247	1.6	2,262	0.9	4,059	1.5	2,882	1.4	2,869	1.5
Material costs	2,367	1.5	245	0.1	297	0.1	72	0.1	69	negligible	112	0.1
Other direct costs	2,261	1.4	88	0.1	151	0.1	457	0.1	438	0.2	984	0.5
	160,978	100.0	198,366	100.0	249,239	100.0	271,339	100.0	208,623	100.0	192,738	100.0

Our cost of services during the Track Record Period comprised:

(a) Subcontracting fees

Being the largest component of our cost of services during the Track Record Period, subcontracting fees represent the costs for engaging subcontractors for carrying out repair and maintenance works as well as other ancillary works in respect of works undertaken by us such as scaffolding, plastering, painting, improvement of fire services system, waterproofing and plumbing and drainage works. As disclosed in the paragraph headed "Business — Our suppliers — Our subcontractors — Reason for subcontracting arrangement" in this prospectus, in order to focus on our project management, we normally engage subcontractors to perform site works in respect of works undertaken by us. For further detail of the subcontractors, please refer to the paragraph headed "Business — Our subcontractors" in this prospectus.

(b) Direct labour costs

It represents our salaries and benefits provided to our staff who were directly involved in carrying out repair and maintenance works as well as other ancillary works, and our staff who were responsible for project management and on-site supervision of our projects.

(c) Material costs

During the Track Record Period, we recorded relatively low purchase costs from our suppliers as we generally require our subcontractors to bear the cost of construction materials. In some occasions, materials may be procured by us on our own account for the use of our subcontractors or our customers may purchase materials on our behalf and such amounts are subsequently settled under contra-charge arrangement. Materials are procured by us on a project-by-project basis to meet the estimated demand according to the work schedule of the projects. The construction materials we procured mainly comprise glazed ceramic wall tiles, paint and uPVC pipes.

(d) Other direct costs

It represents various miscellaneous expenses relevant to the provision of our works. For instance, utility expenses, government charges, machinery and equipment rental expenses and insurance.

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

Other income and gains

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

					Nine months ended 30 September	
	FY2016	**FY2017**	**FY2018**	**FY2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Interest income from a customer	—	—	2,612	—	—	—
Compensation income from insurance companies	863	232	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	710	—	—	—
Government subsidies	—	—	—	—	—	794
Other income	91	—	625	—	—	—
	954	232	3,947	—	—	794

Our other income during the Track Record Period mainly comprised:

(a) Interest income from a customer

It represents the interest income received from one of our Group's largest customers in FY2016, being Customer B (as referred to the paragraph headed "Business — Our major customers" in this prospectus), due to its delay payment for our works provided, at the rate of 5.8% per annum from 5 September 2016 up to 5 February 2018 according to the consent order from the court in FY2018. (For detail of the case, please refer to the paragraph headed "Business — Litigation and claims — I. Litigation and claims settled during the Track Record Period and up to the Latest Practicable Date" in this prospectus)

(b) Compensation income from insurance companies

It represents the compensation income from insurance companies regarding the claims for (i) damage due to typhoon which the compensation was received in FY2016; and (ii) damage to contract work due to the falling of working platform from height which the compensation was received in FY2017.

(c) Gain on disposal of property, plant and equipment

It represents the gains on disposal of our Group's motor vehicle due to replacement.

(d) Government subsidies

It represents the government subsidies received by our Group during the nine months ended 30 September 2020, in view of the anti-epidemic fund set up by the (i) the Government under the Employment Support Scheme; and (ii) construction industry council, which committed to support the construction industry to fight against the COVID-19 by improving the anti-contagion measures at construction sites and strengthening the workers' personal protective equipment.

(e) Other income

It mainly represents (i) the refund of the penalty, which was originally charged by the Government for the breach of certain regulations in relation to Accident B of approximately HK$0.5 million in FY2018 after our successful appeal (For details, please refer to the paragraph headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this prospectus); (ii) one-off income received of approximately HK$86,800 in FY2016 from hiring of our rented equipment by a public utility company, which had to undertake repair works temporarily in our construction site; and (iii) the compensation received of approximately HK$80,000 in FY2018 from the consultant in relation to the tort claim against our Group (For detail of the case, please refer to paragraph headed "Business — Litigation and claims — II. Ongoing litigation and claims as at the Latest Practicable Date — (2) Tort claim" in this prospectus).

Administrative expenses

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

	FY2016		FY2017		FY2018		FY2019		Nine months ended 30 September 2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Staff costs (including directors' emoluments)	2,663	37.0	2,834	30.2	2,727	51.2	3,271	36.2	2,432	33.5	2,304	53.6
Legal and professional fee	1,611	22.4	4,205	44.9	470	8.8	3,626	40.2	3,194	44.0	744	17.3
Audit fee	101	1.4	107	1.1	387	7.3	100	1.1	75	1.0	75	1.7
Depreciation	916	12.7	1,230	13.1	759	14.3	875	9.7	660	9.1	641	14.9
Donation	200	2.8	205	2.2	285	5.4	33	0.4	23	0.3	—	—
Entertainment and travelling	362	5.0	257	2.7	281	5.3	248	2.7	186	2.6	86	2.0
Insurance	116	1.6	88	0.9	73	1.4	60	0.7	52	0.7	37	0.9
Penalty	620	8.6	—	—	—	—	—	—	—	—	—	—
Other expenses	600	8.5	448	4.9	343	6.3	816	9.0	637	8.8	414	9.6
	7,189	100.0	9,374	100.0	5,325	100.0	9,029	100.0	7,259	100.0	4,301	100.0

Our administrative expenses during the Track Record Period comprised:

(a) Staff costs (including directors' emoluments)

It represents the salaries, allowances, other benefits and contributions to retirement benefit scheme provided to our Directors and our administrative and back office staff.

(b) Legal and professional fee

It mainly represents the legal advisory fee incurred for (i) various appeals mainly regarding the safety matters for our fatal accident occurred in 2014; (ii) the civil claim cases regarding the fatal accidents happened in May 2013 and March 2014 (For details of the accidents, please refer to the section headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this prospectus); (iii) the case regarding the delayed payment of Customer B for our works provided in 2016 (For details of the case, please refer to the section headed "Business — Litigation and claims" in this prospectus); (iv) the provision for the amounts payable to an insurance company for the settlement of the aforesaid claim regarding the fatal accidents happened in March 2014 and the relevant legal costs incurred by the insurance company in respect of this claim; and (v) accounting and internal control system review services.

(c) Audit fee

It represents the fees to our auditors.

(d) Depreciation

It represents the depreciation charges for our leasehold improvement, office equipment, furniture and fixtures, motor vehicles and right-of-use assets.

(e) Donation

It represents the donation to schools and charity organisation.

(f) Entertainment and travelling

It represents costs in relation to the relationship building with existing and potential customers.

(g) Insurance

It represents the insurance premiums for insurance policies maintained by our Group.

(h) Penalty

It represents the penalty incurred mainly regarding to the safety matters for Accident B (as referred to the paragraph headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this prospectus).

(i) Other expenses

It represents other administrative expenses, such as sundry expenses for our relocation of new office in early 2019, telephone, internet and fax, printing and stationary, motor vehicle expenses, utilities expenses and bank charges.

Loss allowances for trade receivables and contract assets

Our Group recognises loss allowances for ECL on financial assets which are subject to impairment under HKFRS 9. As part of our Group's credit risk management, our Group applied internal credit rating for its customers. For details of the ECL, please refer to the paragraph headed "Loss allowances for ECL under HKFRS 9" below in this section.

During FY2016, our Group recognised loss allowances for ECL in respect of trade receivables and contract assets of approximately HK$1.1 million and HK$82,000, respectively, hence, total loss allowances for ECL amounted to approximately HK$1.2 million. During FY2017, our Group recognized loss allowances for ECL in respect of trade receivables and contract assets of approximately HK$0.7 million and HK$0.4 million, respectively, hence, total loss allowances for ECL amounted to approximately HK$1.1 million. During FY2018, our Group reversed loss allowances for ECL in respect of trade receivables and contract assets of approximately HK$40,000 and HK$0.1 million, respectively, hence, total reversal of loss allowances for ECL amounted to approximately HK$0.2 million. During FY2019, our Group recognised loss allowances for ECL in respect of trade receivables and contract assets of approximately HK$1.7 million and HK$0.4 million, respectively, hence, the total recognised loss allowances for ECL amounted to approximately HK$2.1 million. During the nine months ended 30 September 2020, our Group recognised loss allowances for ECL in respect of trade receivables and contract assets of approximately HK$1.6 million and HK$0.4 million, respectively, hence, the total recognised loss allowances for ECL amounted to approximately HK$2.0 million.

Finance costs

The table below sets forth a breakdown of our finance costs during the Track Record Period:

	FY2016		FY2017		FY2018		FY2019		Nine months ended 30 September 2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Interest on bank borrowings	—	—	—	—	19	51.4	124	79.0	111	81.6	101	87.8
Interest on lease liabilities	17	100.0	29	100.0	18	48.6	33	21.0	25	18.4	14	12.2
	17	100.0	29	100.0	37	100.0	157	100	136	100	115	100

Our finance costs during FY2018, FY2019 and the nine months ended 30 September 2020 represented interest expenses on our bank borrowing and lease liabilities, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax was provided at a flat rate of 16.5% on the estimated assessable profits for FY2016 and FY2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, Hong Kong profits tax of a qualified entity in our Group (i.e. HDC) was provided at 8.25% on the first HK$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2.0 million for FY2018 and FY2019 and the nine months ended 30 September 2019 and 2020. The profits of our other Hong Kong subsidiary (i.e. HDE) will continue to be taxed at a flat rate of 16.5%.

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

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019	Nine months ended 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	17,579	21,938	51,486	37,987	25,929	34,744
Tax at the rates applicable to profits in the tax jurisdictions concerned	2,902	3,622	8,343	6,157	4,174	5,594
Tax effect of non-taxable income	—	—	—	—	—	(128)
Tax effect of non-deductible expenses	119	3	1	2,206	1,686	642
Tax effect of tax losses not recognised	—	1	—	—	—	—
Tax reduction	(20)	(30)	(20)	(20)	(20)	(20)
Over-provision in respect of prior years	—	—	(20)	—	—	—
Effect of a change in tax rate	—	—	6	—	—	—
Income tax expense	3,001	3,596	8,310	8,343	5,840	6,088

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

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2020
Effective tax rate	17.1%	16.4%	16.1%	16.2%	16.1%	15.7%

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

The nine months ended 30 September 2019 compared with the nine months ended 30 September 2020

Revenue

Our revenue decreased by approximately HK$18.5 million or 7.2% from approximately HK$255.6 million for the nine months ended 30 September 2019 to approximately HK$237.1 million for the nine months ended 30 September 2020. Such decrease in our revenue was mainly driven by:

(i) despite the increase in total number of projects which contributed revenue to our Group during the nine months ended 30 September 2020 compared with the same period in 2019, less revenue was contributed by project with total contract sum of below HK$10 million and HK$10 million to below HK$50 million during the nine months ended 30 September 2020, as demonstrated in the below tables:

	Nine months ended 30 September	
	2019	**2020**
	Number of projects	*Number of projects*
	(Unaudited)	
Contract sum		
HK$100 million or above	2	2
HK$50 million to below HK$100 million	1	2
HK$10 million to below HK$50 million	6	12
Below HK$10 million	13	8
	22	24

	Nine months ended 30 September	
	2019	**2020**
	Revenue recognised HK$'000	*Revenue recognised HK$'000*
	(Unaudited)	
Contract sum		
HK$100 million or above	117,218	129,123
HK$50 million to below HK$100 million	26,501	32,088
HK$10 million to below HK$50 million	78,002	72,427
Below HK$10 million	33,853	3,464
	255,574	237,102

(ii) the outbreak of the COVID-19 in Hong Kong since January 2020. Our Group has implemented certain preventive measures in our construction sites which our Directors consider that such measures reduced the efficiency of our workers and subcontractors and led to the slowing down of the progress of our projects on hand during the nine months ended 30 September 2020;

(iii) the postponement in the commencement date of our commercial and industrial development project, namely project TG (MBIS), with total contract sum of approximately HK$89.0 million. Project TG (MBIS) was originally planned to commence in February 2020, however, due to the outbreak of COVID-19, our customer decided to postpone the commencement date (Project code corresponds with the paragraph headed "Business- Our project" in this prospectus) to October 2020;

(iv) a residential development project with total contract sum over HK$100 million, which is project VC, which contributed a relatively lower revenue of approximately HK$17.0 million (the nine months ended 30 September 2019: approximately HK$63.1 million) to our Group during the nine months ended 30 September 2020. Since project VC completed in September 2020, it was already at the last stage of carrying out site work during the nine months ended 30 September 2020 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus);

(v) a commercial and industrial development project with total contract sum of approximately HK$47.8 million had been completed in January 2020, which is project IIC, which contributed approximately HK$0.2 million (the nine months ended 30 September 2019: approximately HK$32.1 million) to our revenue during the nine months ended 30 September 2020 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus);

(vi) although our revenue decreased during the nine months ended 30 September 2020 as compared to the nine months ended 30 September 2019, we were successful in securing a sizable residential development project with total contract sum over HK$200 million in May 2019, which is project BH, which contributed approximately HK$112.0 million to our revenue during the nine months ended 30 September 2020 (the nine months ended 30 September 2019: approximately HK$54.1 million) (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus); and

(vii) our success in securing another commercial and industrial development project with total contract sum of approximately HK$44.0 million in the fourth quarter of 2019 awarded by a new customer, which is project KSC, which contributed approximately HK$23.7 million to our revenue during the nine months ended 30 September 2020 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus).

Cost of services

Our cost of services decreased by approximately HK$15.9 million or 7.6% from approximately HK$208.6 million for the nine months ended 30 September 2019 to approximately HK$192.7 million for the nine months ended 30 September 2020. Our cost of services includes subcontracting fees, direct labour costs, material costs and other direct costs.

The decrease in our cost of services was mainly attributable to the decrease in our subcontracting fees from approximately HK$205.2 million for the nine months ended 30 September 2019 to approximately HK$188.8 million for the nine months ended 30 September 2020, representing a decrease of approximately HK$16.5 million or 8.0%. Such decrease was mainly attributable to the decrease in amount of works outsourced to subcontractors for carrying out site works as illustrated by the decrease in our revenue as discussed above.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$2.6 million or 5.5% from approximately HK$47.0 million for the nine months ended 30 September 2019 to approximately HK$44.4 million for the nine months ended 30 September 2020. The decrease in gross profit was primarily due to the decrease in revenue as discussed above.

Our gross profit margin remained relatively stable at approximately 18.4% for the nine months ended 30 September 2019 and approximately 18.7% for the nine months ended 30 September 2020.

Other income and gains

Other income and gains increased from nil for the nine months ended 30 September 2019 to HK$0.8 million for the nine months ended 30 September 2020. Such increase was mainly contributed by the government subsidiaries received by our Group due to the outbreak of COVID-19, which mainly included the anti-epidemic fund received from the Government under the Employment Support Scheme and from the Construction Industry Council.

Administrative expenses

Our administrative expenses decreased by approximately HK$3.0 million or 40.7% from approximately HK$7.3 million for the nine months ended 30 September 2019 to approximately HK$4.3 million for the nine months ended 30 September 2020. Such decrease was mainly attributable to (i) the decrease in legal and professional fee of approximately HK$2.5 million due to (a) the decrease in legal fee which incurred during the nine months ended 30 September 2019 in relation to a negligence and contractual claim in respect of the Accident B as referred to the paragraph headed "Business — Litigation and claims — negligence and contractual claim" in this prospectus; and (b) the decrease in professional fees in connection with accounting and internal control system review services, which incurred during the nine months ended 30 September 2019; and (ii) the decrease in other expenses of approximately HK$0.2 million due to the decrease in sundry expenses during the nine months ended 30 September 2020.

Finance costs

Our finance costs decreased by approximately HK$21,000 or 15.4% from approximately HK$136,000 for the nine months ended 30 September 2019 to approximately HK$115,000 for the nine months ended 30 September 2020. Such decrease was mainly due to the (i) decrease in interest on bank borrowings as we have fully repaid the profit tax loan in November 2019, and (ii) the decrease in lease liabilities.

Income tax expense

Our income tax expense remained relatively stable at approximately HK$5.8 million for the nine months ended 30 September 2019 and approximately HK$6.1 million for the nine months ended 30 September 2020.

Profit and total comprehensive income for the period

Our profit and total comprehensive income increased by approximately HK$8.6 million or 42.6% from approximately HK$20.1 million for the nine months ended 30 September 2019 to approximately HK$28.7 million for the nine months ended 30 September 2020, which was mainly due to the decrease in our listing expenses of approximately HK$6.5 million and administrative expenses for the nine months ended 30 September 2020, while such increase was partially offset by the decrease in our revenue and gross profit for the nine months ended 30 September 2020 as mentioned above.

FY2019 compared with FY2018

Revenue

Our revenue increased by approximately HK$32.3 million or 10.7% from approximately HK$302.0 million for FY2018 to approximately HK$334.2 million for FY2019. Such increase in our revenue was mainly due to the following:

(i) although there was a decrease in total number of projects which contributed revenue to our Group during FY2019 compared with that in FY2018, an increase in our Group's revenue was recorded during FY2019. Such increase was mainly because larger revenue was contributed by project with total contract sum of HK$50 million to below HK$100 million and HK$10 million to below HK$50 million during FY2019, as demonstrated in the below tables:

	FY2018 *Number of projects*	**FY2019** *Number of projects*
Contract sum		
HK$100 million or above	2	2
HK$50 million to below HK$100 million	1	1
HK$10 million to below HK$50 million	14	8
Below HK$10 million	24	14
	41	25

	FY2018	FY2019
	Revenue recognised	*Revenue recognised*
	HK$'000	*HK$'000*
Contract sum		
HK$100 million or above	165,568	151,893
HK$50 million to below HK$100 million	1,473	34,048
HK$10 million to below HK$50 million	95,342	109,552
Below HK$10 million	39,595	38,756
	301,978	334,249

(ii) a commercial and industrial development project with total contract sum over HK$50 million undertaken and commenced in September 2018, which is project MTR#1121431, which contributed approximately HK$34.0 million (FY2018: approximately HK$1.5 million) to our revenue during FY2019 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus);

(iii) a commercial and industrial development project with total contract sum of approximately HK$47.8 million undertaken and commenced in August 2018, which is project IIC, which contributed approximately HK$37.1 million (FY2018: approximately HK$10.5 million) to our revenue during FY2019 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus);

(iv) our success in securing a sizable residential development project with total contract sum over HK$200 million in May 2019 awarded by a new customer in FY2019, which is project BH, which contributed approximately HK$71.0 million to our revenue during FY2019 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus); and

(v) our success in securing another sizable residential development project with total contract sum over HK$100 million in the fourth quarter of 2018 which was awarded by a new customer in FY2018, which is project VC, which contributed approximately HK$80.9 million (FY2018: approximately HK$23.2 million) to our revenue during FY2019 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus).

Cost of services

Our cost of services increased by approximately HK$22.1 million or 8.9% from approximately HK$249.2 million for FY2018 to approximately HK$271.3 million for FY2019. The increase was primarily driven by the increase in our revenue. Our cost of services includes subcontracting fees, direct labour costs, material costs and other direct costs.

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

(i) our subcontracting fees increased from approximately HK$246.5 million for FY2018 to approximately HK$266.8 million for FY2019, representing an increase of approximately HK$20.2 million or 8.2%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors for carrying out site works as a result of our growth in business during FY2019 as illustrated by the increase in our revenue as discussed above.

(ii) our direct labour costs increased from approximately HK$2.3 million for FY2018 to approximately HK$4.1 million for FY2019, representing an increase of approximately HK$1.8 million or 79.4%. Such increase was mainly because we have engaged certain part-time employees to perform our works as our internal measure during FY2018 and majority of such part-time employees have been changed to full time in early 2019 having considered their performance and to cope with our business development.

(iii) our material costs decreased from approximately HK$0.3 million for FY2018 to approximately HK$72,000 for FY2019, representing a decrease of approximately HK$0.2 million or 75.8%. Such decrease was mainly attributable to the decrease in the amount of construction materials purchased by us for project HC(2018), which we undertook the project as a main contractor from April 2018, and purchased the relevant material in FY2018, while such project had been completed in early 2019 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus).

(iv) our other direct costs increased from approximately HK$0.2 million for FY2018 to approximately HK$0.5 million for FY2019, representing an increase of approximately HK$0.3 million or 202.6%. Such increase was mainly because we have to bear the insurance cost for Project WTIB (Project code corresponds with the paragraph headed "Business — Our Project" in this prospectus) of approximately HK$0.2 million as agreed with the customer during FY2019.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$10.2 million or 19.3% from approximately HK$52.7 million for FY2018 to approximately HK$62.9 million for FY2019. The increase in gross profit was primarily due to the increase in revenue as discussed above.

Our gross profit margin slightly increased from approximately 17.5% for FY2018 to approximately 18.8% for FY2019. Such increase was mainly due to the completion of a sizable project in July 2018, namely project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), which contributed approximately HK$142.3 million of revenue in FY2018, with approximately 13.5% of gross profit margin. Such relatively low gross profit of project ZF was mainly because we intend to adopt a more competitive pricing strategy in order to secure our first sizable commercial and industrial development project with total contract sum over HK$200 million. Our Directors consider that undertaking such a stable commercial and industrial development project can increase the reputation and recognition of our Group in the field of commercial and industrial building. Before undertaking such a sizable commercial and industrial buildings project, our Group mainly undertook residential buildings project.

Other income and gains

Other income and gains decreased from approximately HK$3.9 million for FY2018 to nil for FY2019. Such decrease was mainly because we recorded interest income received from Customer B (as referred to the paragraph headed "Business — Our major customers" in this prospectus) due to its delay in payments for our works provided, the gain on disposal of our motor vehicle and the refund of penalty during FY2018, while no such income and gains were recognized during FY2019.

Administrative expenses

Our administrative expenses increased by approximately HK$3.7 million or 69.6% from approximately HK$5.3 million for FY2018 to approximately HK$9.0 million for FY2019. Such increase was mainly attributable to (i) the increase in staff cost (including directors' emoluments) due to an increase of our administration and finance staff (i.e. Mrs. Yeung) who joined us during FY2019 as a result of the increased administrative works in the preparation of Listing and the general increment in salaries for our Directors and administration and finance staff during FY2019 and (ii) the increase in legal and professional fee due to (a) the legal fee incurred in relation to a negligence and contractual claim in respect of Accident B (For details of the negligence and contractual claim, please refer to the paragraph headed "Business — Litigation and claims — negligence and contractual claim in this prospectus); (b) for FY2018, part of the legal fee incurred in relation to the safety matters for Accident B had been refunded after successful appeal during FY2018, while no such refund was recognized during FY2019; and (c) the professional fees in connection with accounting and internal control system review services during FY2019.

Finance costs

Our finance costs increased by approximately HK$0.1 million or 324.3% from approximately HK$37,000 for FY2018 to approximately HK$0.2 million for FY2019. Such increase was mainly due to the increase in interest on bank borrowings for the profit tax loan which was drawdown in late 2018 and the revolving loan which was drawdown during FY2019.

Income tax expense

Our income tax expense remained relatively stable at approximately HK$8.3 million for FY2018 and FY2019. Although our profit before income tax decreased during FY2019 as a result of all of the aforesaid and the increase in the listing expenses incurred by our Group from nil during FY2018 to approximately HK$13.6 million during FY2019, such decrease was partially offset by the increase of the non-tax deductible expenses of approximately HK$2.2 million during FY2019 as mentioned above.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by approximately HK$13.5 million or 31.3% from approximately HK$43.2 million for FY2018 to approximately HK$29.6 million for FY2019. Such decrease was mainly attributable to the listing expenses of approximately HK$13.6 million incurred by our Group in FY2019.

Our profit and total comprehensive income for FY2019 decreased by approximately HK$13.5 million or 31.3%, which was mainly due to (i) the increase in the listing expenses incurred by our Group (ii) the increase in our administrative expenses and (iii) the decrease in our other income and gains during FY2019 as mentioned above, while such decrease was partially offset by our increase in revenue and gross profit.

FY2018 compared with FY2017

Revenue

Our revenue increased by approximately HK$71.4 million or 31.0% from approximately HK$230.6 million for FY2017 to approximately HK$302.0 million for FY2018. Such increase in our revenue was mainly driven by:

(i) the rising number of projects which contributed revenue to our Group, in particular revenue contributed by projects with total contract sum of HK$100 million or above during FY2018, as demonstrated in the below table:

	FY2017 *Number of projects*	**FY2018** *Number of projects*
Contract sum		
HK$100 million or above	1	2
HK$50 million to below HK$100 million	—	1
HK$10 million to below HK$50 million	10	14
Below HK$10 million	17	24
	28	41

	FY2017 *Revenue recognised HK$'000*	**FY2018** *Revenue recognised HK$'000*
Contract sum		
HK$100 million or above	96,641	165,568
HK$50 million to below HK$100 million	—	1,473
HK$10 million to below HK$50 million	91,138	95,342
Below HK$10 million	42,779	39,595
	230,558	301,978

(ii) our sizable project with total contract sum over HK$200 million undertaken and commenced in FY2017, with relatively more work performed during FY2018, which is project ZF, a commercial and industrial development project, which contributed approximately HK$142.3

million (FY2017: approximately HK$96.6 million) to our revenue during FY2018 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus); and

(iii) our success in securing another sizable project with total contract sum over HK$100 million in FY2018 which was awarded by a new customer, which is project VC, a residential development project commenced in November 2018, which contributed approximately HK$23.2 million to our revenue during FY2018. (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus)

Cost of services

Our cost of services increased by approximately HK$50.9 million or 25.6% from approximately HK$198.4 million for FY2017 to approximately HK$249.2 million for FY2018. The increase was primarily driven by the increase in our revenue. Our cost of services includes subcontracting fees, direct labour costs, material costs and other direct costs.

The following is a discussion of the changes in the key components of our cost of services in FY2017 compared to FY2018:

(i) Our subcontracting fees increased from approximately HK$194.8 million for FY2017 to approximately HK$246.5 million for FY2018, representing an increase of approximately HK$51.7 million or 26.6%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors for carrying out site works as a result of our growth in business during FY2018 as illustrated by the increase in our revenue, in particular the increase in projects undertaken during FY2018 as discussed above. We normally engage subcontractors to carry out the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

However, we recorded a less-than-proportionate increase in our subcontracting fees, which mainly because we have engaged lesser number of subcontractors during FY2018 as compared to that in FY2017. Despite the increased subcontracting works outsourced to subcontractors for carrying out site work during FY2018, our Group could benefit from a relatively lower subcontracting fees by engaging fewer number of subcontractors as (i) a profit mark-up is generally factored in the subcontracting fee charged by each subcontractor. When we engaged only one or relatively lesser subcontractors to undertake works in our project, our subcontractors would normally willing to set subcontracting fees which had a relatively lower profit mark-up or provide a discounted price, as a relatively larger absolute amount of profit could be derived by our subcontractors from such project with a larger contract sum per each subcontractor. Similarly, when we engaged more subcontractors to undertake works in the same project, each of our subcontractor would normally set a higher profit mark-up subcontracting fee, as a relatively lower absolute amount of profit could be derived by them from such project with a lesser contract sum per each subcontractor; and (ii) it improves our efficiency for managing the project progress and handle issues. Since we normally engage subcontractors to carry out the site works under our supervision and management by our project management team, when our Group engaged only one or relatively lesser subcontractors (which was able to carry out the site works under our requirements) to undertake works in the same project, it was easier and more efficient for us to handle issues and arrange works schedule during the execution of the works as lesser coordination was required. Therefore, we have engaged 64 subcontractors for undertook 28 projects in FY2017 while we have only engaged 59 subcontractors for undertook 41 projects in FY2018.

Since we had engaged lesser number of subcontractors to carry out the site work during FY2018, it was essential for our Group to ensure our subcontractors had sufficient scale of operation and resources available to support their capacity to undertake our subcontracted works when we selected the subcontractors. Also, we are responsible for the supervision of works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

For instance, (i) our sizable project with total contract sum over HK$100 million undertaken and commenced in FY2018, which is project VC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), our sole subcontractor, being Supplier Group J (as referred to the paragraph headed "Business — Our major suppliers" in this prospectus) deployed around 180 to 200 workers (including full-time and casual workers) during FY2018 and (ii) our project with total contract sum over HK$25 million undertaken and commenced in FY2018, which is project ACC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), our sole subcontractor deployed around 40 workers (including full-time and casual workers) during FY2018. During the Track Record Period, we did not encounter any material complaint in relation to our Group's performance and any issue regarding the quality of our Group's works as well as delay to the completion date of works contracted to our Group. As such, we believe our subcontractors had sufficient scale of operation and resources available to support their capacity to undertake our subcontracted works.

(ii) Our direct labour costs decreased from approximately HK$3.2 million for FY2017 to approximately HK$2.3 million for FY2018, representing a decrease of approximately HK$1.0 million or 30.3%. During FY2017 and FY2018, we outsourced all site works to subcontractors, our direct labour costs mainly represent our salaries and benefits provided to our staff who are responsible for project management and on-site supervision of our projects. Such decrease was mainly because certain employees, which responsible for project management and on-site supervision, were resigned in late 2017. In order to complete our works on time and maintain our quality of works, we have engaged certain part-time employees to perform our works as our interim measure. Majority of such part-time employees have been changed to full time having considered their performance and to cope with our business development in early 2019.

(iii) Our material costs increased from approximately HK$0.2 million for FY2017 to approximately HK$0.3 million for FY2018, representing an increase of approximately HK$52,000 or 21.2%. Such increase was mainly attributable to the increase in the amount of construction materials purchased by us due to a new commercial and industrial development project undertook and commenced during FY2018. Since our Group undertook such project as a main contractor, we had to bear the material costs incurred. Hence, increasing material costs were recorded during FY2018.

(iv) Our other direct costs increased from approximately HK$88,000 for FY2017 to approximately HK$151,000 for FY2018, representing an increase of approximately HK$63,000 or 71.6%. Such increase was mainly because we undertook a project as a main contractor and other direct costs need to be borne by us under the terms of our contract with such customer.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$20.5 million or 63.8% from approximately HK$32.2 million for FY2017 to approximately HK$52.7 million for FY2018. The increase in gross profit was primarily due to the increase in revenue as discussed above.

Our gross profit margin increased from approximately 14.0% for FY2017 to approximately 17.5% for FY2018. The increase in gross profit margin was primarily due to the less-than-proportionate increase in our subcontracting fees as a result of the lesser number of subcontractors had been engaged during FY2018 as compared to that in FY2017 as discussed above. Our Directors consider that holding all else the same, more subcontractors we used would generally lead to a lower profit margin for our Group, as a profit markup is generally factored in the fees charged by each subcontractor.

Other income and gains

Other income and gains increased by approximately HK$3.7 million or 1,601.3% from approximately HK$0.2 million for FY2017 to approximately HK$3.9 million for FY2018. Such increase in FY2018 was primarily due to (i) the interest income received from Customer B (as referred to the paragraph headed "Business — Our major customers" in this prospectus) due to its delay in payments for our works provided of approximately HK$2.6 million, (ii) the gain on disposal of our motor vehicle of approximately HK$0.7 million, and (iii) the refund of the penalty regarding to the safety matters for Accident B (as referred to the paragraph headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this prospectus) of approximately HK$0.5 million during FY2018.

Administrative expenses

Our administrative expenses decreased by approximately HK$4.0 million or 43.2% from approximately HK$9.4 million for FY2017 to approximately HK$5.3 million for FY2018. Such decrease was mainly attributed to (i) the decrease in legal and professional fee of approximately HK$3.7 million, which primarily due to part of the legal fee incurred in relation to the safety matters for Accident B had been refunded after successful appeal during FY2018, and (ii) the decrease in depreciation expenses of approximately HK$0.5 million during FY2018.

Finance costs

Our finance costs increased by approximately HK$8,000 from approximately HK$29,000 for FY2017 to approximately HK$37,000 for FY2018. Such increase in our finance costs in FY2018 was due to the increase in interest on bank borrowing for the profit tax loan, which was drawdown in late 2018.

Income tax expense

Our income tax expense increased by approximately HK$4.7 million or 131.1% from approximately HK$3.6 million for FY2017 to approximately HK$8.3 million for FY2018. The increase was primarily due to the increase of our profit before taxation as a result of all of the aforesaid and in particular the increase in revenue and gross profit for FY2018.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit, our profit and total comprehensive income for the year increased by approximately HK$24.8 million or 135.4% from approximately HK$18.3 million for FY2017 to approximately HK$43.2 million for FY2018.

FY2017 COMPARED WITH FY2016

Revenue

Our revenue increased by approximately HK$44.6 million or 24.0% from approximately HK$186.0 million for FY2016 to approximately HK$230.6 million for FY2017.

The following table sets out the breakdown of projects based on their respective revenue recognised during FY2016 and FY2017:

	FY2016 *Number of projects*	**FY2017** *Number of projects*
Revenue recognised		
HK$10 million or above	5	5
HK$5 million to below HK$10 million	6	5
HK$1 million to below HK$5 million	9	9
Below HK$1 million	13	9
	33	28

Although there was a decrease in total number of projects which contributed revenue during FY2017, an increase in our Group's revenue was recorded during FY2017. Such increase was mainly driven by:

(i) our success in securing a new sizable project with total contract sum over HK$200 million in FY2017, which is project ZF, a commercial and industrial development project commenced in July 2017, contributed approximately HK$96.6 million to our revenue during FY2017. (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus); and

(ii) two new projects undertaken or commenced in FY2017 with revenue contributed to our Group of approximately HK$42.2 million in aggregate. For instance, (a) project WB, a residential development project commenced in April 2017 with revenue contribution of approximately HK$27.6 million; and (b) project WTB, a residential development project commenced in June 2017 with revenue contribution of approximately HK$14.5 million. (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus)

Cost of services

Our cost of services increased by approximately HK$37.4 million or 23.2% from approximately HK$161.0 million for FY2016 to approximately HK$198.4 million for FY2017. The increase was primarily driven by the increase in our revenue. Our cost of services includes subcontracting fees, direct labour costs, material costs and other direct costs.

The following is a discussion of the changes in the key components of our cost of services in FY2016 compared to FY2017:

(i) Our subcontracting fees increased from approximately HK$152.3 million for FY2016 to approximately HK$194.8 million for FY2017, representing an increase of approximately HK$42.5 million or 27.9%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors as illustrated by the increase in our revenue as discussed above.

(ii) Our direct labour costs decreased from approximately HK$4.0 million for FY2016 to approximately HK$3.2 million for FY2017, representing a decrease of approximately HK$0.8 million or 19.3%. Such decrease was mainly because we have seconded certain employees to assist our main contractors for the execution of our works and the salary of such employees were borne by our main contractors and certain employees were resigned in late 2017.

(iii) Our material costs decreased from approximately HK$2.4 million for FY2016 to approximately HK$0.2 million for FY2017, representing a decrease of approximately HK$2.1 million or 89.6%. Such decrease was mainly attributable to the decrease in the amount of construction materials purchased by us as our Group undertook lesser projects as main contractor during FY2017, resulting in lesser material costs need to be borne by us. As a result, decreasing material costs were recorded during FY2017.

(iv) Our other direct costs decreased from approximately HK$2.3 million for FY2016 to approximately HK$88,000 for FY2017, representing a decrease of approximately HK$2.2 million or 96.1%. Such decrease was mainly because we undertook lesser projects as main contractor during FY2017, resulting in lesser other direct cost need to be borne by us. As a result, decreasing other direct costs incurred by us during FY2017.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$7.2 million or 28.8% from approximately HK$25.0 million for FY2016 to approximately HK$32.2 million for FY2017. The increase in gross profit was primarily due to the increase in revenue as discussed above. Our gross profit margin remained broadly stable at approximately 13.4% for FY2016 and approximately 14.0% for FY2017.

Other income and gains

Other income and gains decreased by approximately HK$0.7 million or 75.7% from approximately HK$1.0 million for FY2016 to approximately HK$0.2 million for FY2017. Such decrease was primarily due to reduction of compensation income from insurance companies of approximately HK$0.6 million during FY2017.

Administrative expenses

Our administrative expenses increased by approximately HK$2.2 million or 30.4% from approximately HK$7.2 million for FY2016 to approximately HK$9.4 million for FY2017. Such increase was mainly attributed to the significant increase in legal and professional fee of approximately HK$2.6 million, which was primarily due to the legal fee incurred for the aforesaid cases in FY2017 as discussed in the paragraph headed "Administrative expenses" in this section above, while the increase in administrative expenses was partially offset by the reduction of penalty by approximately HK$0.6 million during FY2017, as no such penalty was incurred during FY2017.

Income tax expense

Our income tax expense increased by approximately HK$0.6 million or 19.8% from approximately HK$3.0 million for FY2016 to approximately HK$3.6 million for FY2017. The increase was primarily due to the increase of our profit before taxation as a result of all of the aforesaid and in particular the increase in revenue and gross profit for FY2017.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit, our profit and total comprehensive income for the year increased by approximately HK$3.8 million or 25.8% from approximately HK$14.6 million for FY2016 to approximately HK$18.3 million for FY2017.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and 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 proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 31 January 2021, being the Latest Practicable Date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately HK$7.0 million and we had unutilised banking facilities of approximately HK$9.0 million available for cash drawdown.

Cash flows

The following table sets forth a summary of our cash flows for the Track Record Period:

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019	Nine months ended 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating profit before working capital changes	19,678	24,280	51,410	41,157	29,927	37,527
Change in working capital	(45,873)	(10,335)	25,508	(7,222)	(127)	(26,887)
Income tax (paid)/refunded	(4,066)	(3,052)	(4,889)	—	—	(4,669)
Net cash (used in)/generated from operating activities	(30,261)	10,893	72,029	33,935	29,800	5,971
Net cash generated from/(used in) investing activities	20,958	(9,501)	(75,183)	(23,151)	(24,405)	(22,042)
Net cash generated from/(used in) financing activities	1,968	(2,792)	4,055	(3,041)	(3,112)	10,375
Net (decrease)/increase in cash and cash equivalents	(7,335)	(1,400)	901	7,743	2,283	(5,696)
Cash and cash equivalents at beginning of the year/period	9,973	2,638	1,238	2,139	2,139	9,882
Cash and cash equivalents at end of the year/period	2,638	1,238	2,139	9,882	4,422	4,186

Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of RMAA works in Hong Kong, whereas our operating cash outflows mainly includes payment for subcontracting fees, purchase of materials, direct labour costs, as well as other working capital needs.

Net cash (used in)/generated from operating activities primarily consisted of profit before income tax adjusted for the depreciation of property, plant and equipment, gain on disposal of property, plant and equipment, interest expenses, loss allowances for trade receivables and contract assets and the effect of changes in working capital such as changes in trade receivables, contract assets, deposits, prepayments and other receivables, trade payables and accrued liabilities and other payables, income tax paid and income tax refunded.

The following table sets forth a reconciliation of our profit before income tax to cash (used in) generated from operation:

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019	Nine months ended 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	17,579	21,938	51,486	37,987	25,929	34,744
Adjustments for:						
Depreciation of property, plant and equipment	916	1,230	759	875	660	641
Gain on disposal of property, plant and equipment	—	—	(710)	—	—	—
Interest expenses	17	29	37	157	136	115
Loss allowances for trade receivables and contract assets	1,166	1,083	(162)	2,138	3,202	2,027
Operating profit before working capital changes	19,678	24,280	51,410	41,157	29,927	37,527
(Increase)/decrease in trade receivables	(89,161)	(35,697)	19,475	(2,532)	(37,372)	(41,623)
Decrease/(increase) in contract assets	13,160	(11,682)	19,833	(8,989)	(9,563)	(8,669)
Decrease/(increase) in deposits, prepayments and other receivables	2,151	(997)	2,497	(7,832)	(16,536)	770
Increase/(decrease) in trade payables	6,203	25,242	(3,037)	24,109	5,251	1,305
Increase/(decrease) in accrued liabilities and other payables	21,774	12,799	(13,260)	(11,978)	58,093	21,330
Cash (used in)/generated from operations	(26,195)	13,945	76,918	33,935	29,800	10,640
Income tax paid	(4,066)	(3,097)	(4,889)	—	—	(4,669)
Income tax refund	—	45	—	—	—	—
Net cash (used in)/generated from operating activities	(30,261)	10,893	72,029	33,935	29,800	5,971

For each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2019 and 2020, the respective difference between our profit before income tax and our cash generated from/used in operations were mainly due to the changes in working capital needs in our projects, including in particular the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers.

For FY2016, net cash used in operating activities was recorded at approximately HK$30.3 million, which was mainly attributed by the increase in trade receivables of approximately HK$89.2 million. Such increase in trade receivables was mainly contributed by the receivables from (i) Customer B for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to the legal proceedings (For details, please refer to the paragraph headed "Business — Litigation and claims — I. Litigation and claims settled during the Track Record Period and up to the Latest Practicable Date" in this prospectus), which amounted to approximately HK$32.8 million; (ii) King Wah for the newly awarded project SWG in FY2016 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) as the timing when we issued the invoices was at late 2016, amounted to approximately HK$20.9 million; and (iii) Customer A for the newly awarded project SCC in FY2016 (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to our negotiation process with the customer for the settlement of the final payment, amounted to approximately HK$17.9 million.

During FY2018, the assessment demanding final tax for the year of assessment 2017/18 (i.e. for the year ended 31 December 2017) and notice for payment for provisional tax for the year of assessment 2018/19 was issued by the IRD to HDC in October 2018 and was settled in November 2018 while the assessment demanding final tax for the year of assessment 2018/19 (i.e. for the year ended 31 December 2018) was issued late by the IRD in May 2020 and the due date of the tax payment is 30 June 2020. Since the Government announced in April 2020 that to ease the financial burden and cash flow of businesses arising from COVID-19, tax payment deadlines for profits tax demand notes for the year of assessment 2018/19 which fall between April 2020 to June 2020 are automatically extended by three months. Our Group expected to settle the tax payment in September 2020. As such, no income tax is paid during FY2019.

Cash flows from investing activities

					Nine months ended 30 September	
	FY2016	**FY2017**	**FY2018**	**FY2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Purchase of property, plant and equipment	(52)	(134)	(9)	(268)	(233)	(13)
Proceeds from disposal of property, plant and equipment	—	—	710	—	—	—
Decrease/(increase) in amount due from a director	21,010	(9,367)	(75,884)	(22,883)	(24,172)	(22,029)
Net cash generated from/(used in) investing activities	20,958	(9,501)	(75,183)	(23,151)	(24,405)	(22,042)

During the Track Record Period, our cash inflows from investing activities include proceeds from disposal of property, plant and equipment, decrease in amount due from a director, while our cash outflows from investing activities consist of purchase of property, plant and equipment and increase in amount due from a director.

For FY2016, we recorded net cash generated from investing activities of approximately HK$21.0 million, which was primarily attributable to the cash advanced by our Director to our Group to finance our operation of approximately HK$21.0 million, while such net cash inflow was slightly offset by the purchase of property, plant and equipment of approximately HK$52,000 during FY2016.

For FY2017, we recorded net cash used in investing activities of approximately HK$9.5 million, which was primarily attributable to (i) the cash advanced by us to our Director for his personal use of approximately HK$9.4 million and (ii) the purchase of property, plant and equipment of approximately HK$0.1 million during FY2017.

For FY2018, we recorded net cash used in investing activities of approximately HK$75.2 million, which was primarily attributable to (i) the cash advanced by us to our Director for his personal use of approximately HK$75.9 million and (ii) the purchase of property, plant and equipment of approximately HK$9,000 during FY2018, while such net cash outflow was partially offset by the proceeds from disposal of property, plant and equipment of approximately HK$0.7 million during FY2018.

For FY2019, we recorded net cash used in investing activities of approximately HK$23.2 million, which was primarily attributable to (i) the cash advanced by us to our Director for his personal use of approximately HK$22.9 million and (ii) the purchase of property, plant and equipment of approximately HK$0.3 million during FY2019.

For the nine months ended 30 September 2019, we recorded net cash used in investing activities of approximately HK$24.4 million, which was primarily attributable to (i) the cash advanced by us to our Director for his personal use of approximately HK$24.2 million and (ii) the purchase of property, plant and equipment of approximately HK$0.2 million during the nine months ended 30 September 2019.

For the nine months ended 30 September 2020, we recorded net cash used in investing activities of approximately HK$22.0 million, which was primarily attributable to (i) the cash advanced by us to our Director for his personal use of approximately HK$22.0 million and (ii) the purchase of property, plant and equipment of approximately HK$13,000 during the nine months ended 30 September 2020.

Cash flows from financing activities

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2019	Nine months ended 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Proceeds from bank borrowings	—	—	4,889	4,000	2,000	13,800
Repayments of bank borrowings	—	—	(399)	(6,490)	(4,660)	(3,000)
Payments of lease liabilities	(410)	(414)	(416)	(427)	(341)	(324)
Advance from/(repayment to) a director	2,378	(2,378)	—	—	—	—
Interest paid	—	—	(19)	(124)	(111)	(101)
Net cash generated from/(used in) financing activities	1,968	(2,792)	4,055	(3,041)	(3,112)	10,375

During the Track Record Period, our cash inflows from financing activities includes proceeds from bank borrowings and advance from a director, while our cash outflows from financing activities includes repayment of bank borrowings, payments of lease liabilities of our office, repayment to a director and interest paid.

For FY2016, we recorded net cash generated from financing activities of approximately HK$2.0 million, which was attributable to the cash advance by our Director to our Group to finance our operation of approximately HK$2.4 million, while such net cash inflow was slightly offset by the payment of lease liabilities of approximately HK$0.4 million during FY2016.

For FY2017, we recorded net cash used in financing activities of approximately HK$2.8 million, which was attributable to the cash advanced by us to our Director for his personal use of HK$2.4 million and the payment of lease liabilities of approximately HK$0.4 million during FY2017.

For FY2018, we recorded net cash generated from financing activities of approximately HK$4.1 million, which was primarily attributable to the proceeds from bank borrowing of approximately HK$4.9 million, while such net cash inflow was slightly offset by the repayment of bank borrowings of approximately HK$0.4 million, the payment of lease liabilities of approximately HK$0.4 million and interest paid of approximately HK$19,000 during FY2018.

For FY2019, we recorded net cash used in financing activities of approximately HK$3.0 million, which was primarily attributable to the repayments of bank borrowings of approximately HK$6.5 million, the payment of lease liabilities of approximately HK$0.4 million and interest paid of approximately HK$0.1 million, while such net cash outflow was partially offset by the proceeds from bank borrowing of approximately HK$4.0 million during FY2019.

For the nine months ended 30 September 2019, we recorded net cash used in financing activities of approximately HK$3.1 million, which was attributable to the repayments of bank borrowings of approximately HK$4.7 million, the payments of lease liabilities of approximately HK$0.3 million and the interest paid of approximately HK$0.1 million during the nine months ended 30 September 2019, while such cash outflow is partially offset by the proceeds from bank borrowings of approximately HK$2.0 million.

For the nine months ended 30 September 2020, we recorded net cash generated from financing activities of approximately HK$10.4 million, which was attributable to the proceeds from bank borrowings of approximately HK$13.8 million, while such net cash inflow was partially offset by the repayments of bank borrowings of approximately HK$3.0 million, payments of lease liabilities of approximately HK$0.3 million and interest paid of approximately HK$0.1 million during the nine months ended 30 September 2020.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of office equipment and motor vehicles during the Track Record Period. The following sets forth our Group's capital expenditure for the periods indicated:

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold improvement	—	—	—	218	—
Motor vehicles	—	1,330	—	—	—
Office equipment	52	6	9	20	7
Furniture and fixtures	—	—	—	9	6

Our capital expenditure was funded by our internal resources, except for the acquisition of motor vehicle of approximately HK$1.3 million during FY2017, of which, approximately HK$1.2 million was paid by our Director.

WORKING CAPITAL

Our Directors are of the opinion 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 net proceeds to be received by us from the Listing, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

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 January
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Current assets						
Trade receivables	93,706	128,683	109,248	110,092	150,088	145,602
Contract assets	25,388	36,707	16,996	25,535	33,804	38,880
Deposits, prepayments and other receivables	3,273	4,270	1,773	9,605	8,835	9,044
Amount due from a director	—	3,965	19,849	18,732	25,761	28,755
Tax recoverable	—	—	—	—	600	600
Cash and bank balances	2,638	1,238	2,139	9,882	4,186	7,042
	125,005	174,863	150,005	173,846	223,274	229,923
Current liabilities						
Trade payables	27,357	52,599	49,562	73,671	74,976	111,317
Accrued liabilities and other payables	66,811	79,610	66,350	54,372	75,702	40,720
Amount due to a director	2,378	—	—	—	—	—
Lease liabilities	101	398	102	416	178	36
Tax payable	756	1,443	4,800	13,544	15,940	11,327
Bank borrowings	—	—	4,490	2,000	9,463	5,127
	97,403	134,050	125,304	144,003	176,259	168,527
Net current assets	27,602	40,813	24,701	29,843	47,015	61,396

As at 31 December 2016 and 2017, our net current assets amounted to approximately HK$27.6 million and approximately HK$40.8 million, respectively. The increase in our net current assets was mainly due to the increase in our current assets of approximately HK$49.9 million or 39.9%, in particular the increase in trade receivables and contract assets, which was mainly attributed by the new sizable project during FY2017 as mentioned above in the paragraph headed "Period-to-period comparison of results of operations — Revenue" in this section, overweighed the increase in our current liabilities of approximately HK$36.6 million or 37.6%.

Despite our profitable operation during FY2018, our net current assets decreased from approximately HK$40.8 million as at 31 December 2017 to approximately HK$24.7 million as at 31 December 2018. Such decrease was mainly attributable to the declaration and settlement of dividend by offsetting against an equivalent amount due from Mr. Yeung of approximately HK$60.0 million during FY2018.

Our net current assets increased from approximately HK$24.7 million as at 31 December 2018 to approximately HK$29.8 million as at 31 December 2019. Such increase was mainly attributable to the increase in our current assets of approximately HK$23.8 million or 15.9%, in particular the increase in our contract assets of approximately HK$8.5 million or 50.2%, and the increase in our deposits, prepayments and other receivables of approximately HK$7.8 million or 441.7%, which will be further discussed below in this section, overweighed the increase in our current liabilities of approximately HK$18.7 million or 14.9%.

Our net current assets further increase to approximately HK$47.0 million as at 30 September 2020. The increase in our net current assets was mainly due to the increase in our current assets of approximately HK$49.4 million or 28.4%, in particular the increase in trade receivables of approximately HK$40.0 million or 36.3% as at 30 September 2020, overweighed the increase in our current liabilities of approximately HK$32.3 million or 22.4%.

As at 31 January 2021, being the Latest Practicable Date for ascertaining our net current assets, our net current assets further increased to approximately HK$61.4 million. The increase in our net current assets was mainly due to the decrease in our current liabilities of approximately HK$7.7 million or 4.4%, in particular the decrease in our accrued liabilities and other payables of approximately HK$35.0 million as at 31 January 2021.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs:

Trade receivables

Our trade receivables increased from approximately HK$93.7 million as at 31 December 2016 to approximately HK$128.7 million as at 31 December 2017 and then decreased to approximately HK$109.2 million as at 31 December 2018 and slightly increased to approximately HK$110.1 million as at 31 December 2019, while increased to approximately HK$150.1 million as at 30 September 2020. Such fluctuation was primarily contributed by (i) our business operation; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the actual works progress of our ongoing projects, the amounts certified and settled by the relevant customers as at the respective reporting dates.

In particular, despite the increase in our revenue, the decrease in our trade receivables as at 31 December 2018 as compared to that in 2017 of approximately HK$19.4 million was mainly contributed by (i) the outstanding balance from our customer of the sizable project, namely project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) had been substantially settled in FY2018 as such project had been completed during FY2018, amounted to approximately HK$44.3 million (decreased from approximately HK$48.3 million as at 31 December

2017 to approximately HK$4.1 million as at 31 December 2018), and (ii) the settlement from Customer B for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) according to the consent order from the court in FY2018, amounted to approximately HK$19.8 million (decreased from approximately HK$32.9 million as at 31 December 2017 to approximately HK$13.1 million (which was the retention money balances) as at 31 December 2018). As we commenced legal proceedings against Customer B in 2016 for failure to pay the outstanding amount due to us under our renovation agreement for carrying out renovation works, the consent order from the court in January 2018 instructed that Customer B would have to pay us with the sum of approximately HK$31.7 million within seven days from the service of the consent order, and further pay us with the interest on the sum of approximately HK$31.7 million within 30 days from the date of the consent order at the rate of 5.8% per annum from 5 September 2016 up to the date of payment. All the outstanding amounts (approximately HK$31.7 million together with the interests of approximately HK$2.6 million) had been received by us in February 2018.

Our trade receivables slightly increased from approximately HK$109.2 million as at 31 December 2018 to approximately HK$110.1 million as at 31 December 2019, which was mainly due to the outstanding balance from our customer of the sizeable project, namely project BH (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), which commenced during FY2019, amounted to approximately HK$31.6 million while such increase was partially offset by (i) the settlement of the trade receivables of Customer B (which was the retention money balances) for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) in FY2019, amounted to approximately HK$12.9 million (decreased from approximately HK$13.1 million as at 31 December 2018 to approximately HK$0.2 million as at 31 December 2019) and (ii) the settlement of the trade receivables of project YYS (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) in FY2019, amounted to approximately HK$9.3 million (decreased from approximately HK$10.7 million as at 31 December 2018 to approximately HK$1.4 million as at 31 December 2019).

Our trade receivables further increased from approximately HK$110.1 million as at 31 December 2019 to approximately HK$150.1 million as at 30 September 2020, which was mainly due to the outstanding balance from our customer of the sizeable project, namely project BH (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) which increased from approximately HK$31.6 million as at 31 December 2019 to approximately HK$79.1 million as at 30 September 2020, while such increase was partially offset by the settlement of trade receivables for (i) Project IIC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) for the nine months ended 30 September 2020, amounted to approximately HK$9.6 million (which decreased from approximately HK$13.8 million as at 31 December 2019 to approximately HK$4.2 million as at 30 September 2020, and (ii) project VC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) for the nine months ended 30 September 2020, amounted to approximately HK$8.1 million (which decreased from approximately HK$17.3 million as at 31 December 2019 to approximately HK$9.3 million as at 30 September 2020).

Trade receivables and receivables turnover days

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

	FY2016	FY2017	FY2018	FY2019	Nine months ended 30 September 2020
	days	*days*	*days*	*days*	*days*
Trade receivables turnover days*(Note 1)*	97.5	176.0	143.8	119.8	150.3
Receivables turnover days*(Note 2)*	160.3	225.2	176.2	143.0	184.6

Notes:

1. Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 274 days for the nine months ended 30 September 2020).

2. Receivables turnover days is calculated based on the average of the beginning and ending balance of receivables (including trade receivables and contract assets) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 274 days for the nine months ended 30 September 2020).

Despite the credit period that we granted to our customers is generally within 30 to 60 days from the date of issuance of invoice, our trade receivables turnover days were approximately 97.5 days, 176.0 days, 143.8 days, 119.8 days and 150.3 days for FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, respectively. We recorded a longer trade receivables turnover days mainly because (i) our customers normally required us to rectify certain minor construction defects to their satisfaction before they settled our trade receivables, even we have completed our relevant RMAA works and such work done have been certified by our customers; and (ii) different settlement practices of different customers.

Trade receivables turnover days

In addition, as reference to our breakdown of the trade receivables aged over three months by each individual customer below, the increase in our trade receivables turnover days from approximately 97.5 days for FY2016 to approximately 176.0 days for FY2017 was mainly contributed by the receivables from Customer B (as referred to the paragraph headed "Business — Our major customers" in this prospectus), which had outstanding trade receivables more than one year as at 31 December 2017 for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) as a result of the legal proceedings (For details, please refer to the paragraph headed "Business — Litigation and claims — I. Litigation and claims settled during the Track Record Period and up to the Latest Practicable Date" in this prospectus), while the decrease in our trade receivable turnover days decreased from approximately 176.0 days for FY2017 to approximately 143.8 days for

FY2018 was mainly contributed by the settlement from Customer B, which had outstanding trade receivables more than one year as at 31 December 2017 for project GV, according to the consent order from court in FY2018 as mentioned above.

The decrease in our trade receivables turnover days from approximately 143.8 days for FY2018 to approximately 119.8 days for FY2019 was mainly contributed by the settlement from Po Fat, which had outstanding trade receivables more than three months as at 31 December 2018 for Project YKB (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus).

The increase in our trade receivables turnover days from approximately 119.8 days for FY2019 to approximately 150.3 days for the nine months ended 30 September 2020 was mainly contributed by the increase in our outstanding trade receivables within one month as at 30 September 2020. The trade receivable within one month as at 30 September 2020 was approximately HK$92.7 million.

Receivables turnover days

Our receivables turnover days increased from approximately 160.3 days for FY2016 to approximately 225.2 days for FY2017, which was mainly due to the increase in our retention receivables as a result of our new sizable project undertaken, namely project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) and project WB (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) during FY2017, as well as the increase in trade receivables as mentioned in the paragraph above. Our receivables turnover days was approximately 176.2 days for FY2018. Such decrease was mainly due to the retention recoverable after the completion of the projects, such as the aforesaid project ZF during FY2018, as well as the retention recoverable after the completion of defects liability period from our customer for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), as well as the decrease in trade receivables as mentioned in the paragraph above. Our receivables turnover days further decreased to approximately 143.0 days for FY2019. Such decrease was mainly attributable to the growth in our revenue during FY2019, as well as the settlement from Po Fat for the outstanding trade receivables more than three months as mentioned in the paragraph above. Our receivables turnover days increased to approximately 184.6 days for the nine months ended 30 September 2020. Such increase was mainly attributable to the increase in our retention receivables as a result of our projects undertaken during the nine months ended 30 September 2020, namely project BH (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) and project KSC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), amounted to approximately HK$5.2 million and approximately HK$2.3 million, respectively, as well as the increase in trade receivables as mentioned in the above paragraph. In addition, the receivables turnover days was further increased by the increase in the trade receivables turnover days as mentioned in paragraph above.

Ageing analysis and subsequent settlement

The following is an aging analysis of trade receivables, net of loss allowances for ECL, based on the invoice date at the end of each reporting period:

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one month	22,645	57,060	56,698	21,349	92,659
One to three month(s)	31,713	17,830	30,883	34,508	38,564
More than three months but within one year	39,292	19,477	12,777	38,669	13,755
More than one year	56	34,316	8,890	15,566	5,110
	93,706	128,683	109,248	110,092	150,088

Included in our Group's trade receivables balance as at 31 December 2016, 2017, 2018, 2019 and 30 September 2020 are debtors with aggregate carrying amounts of approximately HK$71.0 million, HK$71.6 million, HK$39.4 million, HK$88.7 million and HK$57.1 million, respectively, which were past due as at the reporting dates. Out of the past due balances, approximately HK$36.7 million, HK$48.3 million, HK$20.3 million, HK$41.0 million and HK$16.4 million have been past due 90 days or more and are not considered as in default by considering the background of the debtors, subsequent settlement, historical payment arrangement and credit standing of these trade receivables. Our Group does not hold any collateral over these balances.

As at 31 December 2019 and 30 September 2020, trade receivables of approximately HK$3.1 million and HK$138,000, respectively were subject to assignment and charge arrangement, in which the proceeds from a specific contract with a customer is assigned to a bank to secure the bank loans of our Group. For details, please refer to the paragraph headed "Indebtedness — Bank loans" in this section.

The following is a breakdown of the trade receivables aged over three months by each individual customer at the end of each reporting period:

Customer	As at 31 December								As at 30 September	
	2016		2017		2018		2019		2020	
	More than three months but within one year	More than one year	More than three months but within one year	More than one year	More than three months but within one year	More than one year	More than three months but within one year	More than one year	More than three months but within one year	More than one year
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
San Hoi Ming *(Note)*	—	—	—	—	506	1,512	4,192	3,552	116	67
Po Fat *(Note)*	—	—	3,215	—	5,360	1,795	439	—	608	149
King Wah *(Note)*	—	—	6,508	—	1,817	3,291	1,547	5,367	—	—
Customer O	—	—	—	—	—	—	3,379	958	146	2,039
Suntec *(Note)*	—	—	—	—	—	—	—	1,352	—	—
Trans-world *(Note)*	—	—	—	—	564	364	985	1,381	—	510
Customer B *(Note)*	31,736	—	203	32,718	—	—	200	—	—	200
Customer E *(Note)*	95	56	—	—	585	—	12	—	1,140	—
Apex *(Note)*	367	—	906	862	471	—	8,784	—	4,082	—
Tactful *(Note)*	—	—	57	—	—	57	—	—	—	—
Kin Po *(Note)*	—	—	8,523	—	—	—	—	1,671	—	125
Customer A *(Note)*	2,550	—	—	—	—	—	—	—	—	—
Dragon *(Note)*	—	—	—	—	—	—	15,899	—	—	—
Shun Shing *(Note)*	—	—	—	—	—	—	466	—	—	—
Customer W *(Note)*	—	—	—	—	—	—	—	—	6,745	—
Other customers	4,544	—	65	736	3,474	1,871	2,766	1,285	918	2,020
	39,292	56	19,477	34,316	12,777	8,890	38,669	15,566	13,755	5,110

Note: This is one of our major customers during the Track Record Period. For further details, please refer to the section headed "Business — Our customers — Our major customers" in this prospectus.

Up to the Latest Practicable Date, 73.8% of our trade receivables as at 30 September 2020 had been settled:

	Trade receivables as at 30 September 2020	Subsequent settlement up to the Latest Practicable Date	
	HK$'000	*HK$'000*	*%*
Within one month	92,659	58,891	63.6
One to three month(s)	38,564	38,308	99.3
More than three months but within one year	13,755	11,573	84.1
More than one year	5,110	2,033	39.8
	150,088	110,805	73.8

The outstanding balance was approximately HK$5.3 million in respect of long aged group (i.e. those were more than three months based on the invoice date). In particular, outstanding balance more than one year of approximately HK$3.1 million was mainly due to (i) the pending of the approval from Fire Services Department in relation to the fire service system for some of our project at its final stage, namely, project YTG and project WG (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). Upon receiving the approval from Fire Services Department, we will negotiate with our customers for settlement of the outstanding balance of approximately HK$1.4 million; (ii) a relatively longer settlement process with customers as a result of our negotiation for settlement of final payment, such as Customer O for project HFB and Po Fat for project YKB of approximately HK$0.6 million in aggregate (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). According to the F&S Report, it is not uncommon for customer to settle the final payment (including retention money) to RMAA works contractor after completion of the project, which is normally within 12 to 24 months commencing upon the date of practicable completion of the project and such payment schedule is subject to the potential maintenance and rectification works required, time for finalising the accounts and payment practice of customer; (iii) the pending of the resolve of an ongoing litigation case with our Group's subcontractor for the project Tg (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$0.9 million due to the fatal accident, which happened in 2014 (For details, please refer to paragraph headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" and "Business — Litigation and claims — negligence and contractual claim" in this prospectus); and (iv) Customer B required us to rectify certain minor construction defects to their satisfaction for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) before they settled our trade receivables, even we have completed our relevant RMAA works and such work done have been certified, amounting to approximately HK$0.2 million. For the outstanding balance more than three months but within one year includes a balance outstanding from Apex for project IIC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$1.6 million which represented the final payment. Such project was completed in early 2020 and we are now performing certain rectification works as requested by Apex. In addition, as mentioned above, we normally take a relatively longer settlement process with customer as a result of the negotiation for settlement of final payment. After considering the background of the long aged group customers, their interim settlement, historical payment record, the negotiation progress with customers and their creditworthiness, our Directors consider that such outstanding balances are not considered as in default.

Collection of trade receivables

We face risks in relation to the collectability of our trade receivables. As at 30 September 2020, we recorded trade receivables of approximately HK$150.0 million, of which approximately HK$5.3 million represented outstanding balance in respect of long aged group (i.e. those were more than three months based on the invoice date). For details of our credit risk in this connection, please refer to the paragraph headed "Risk factors — We are exposed to our customers' credit risks. Our cash flow may fluctuate and our liquidity position would be adversely affected if our customers fail to make payment on time or in full".

Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, its business performance, its history of making payments, its financial position and the reason for the outstanding. Reminders are issued for long outstanding amount and our Directors has actively follow-up with such customers and further follow-up actions such as legal actions are brought up when necessary. In addition, our Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Our Directors are of the view, and the Sponsor concurs, that the impairment provision is adequate and the outstanding balance of approximately HK$44.3 million are recoverable, having considered the following:

(i) the level of subsequent settlement of our trade receivable and the historical payment from our customers;

(ii) the outstanding balance of approximately HK$38.8 million was related to a shorter aged group (i.e. within one month based on the invoice date) and approximately HK$26.4 million was related to Project BH which the customer has been continuously settling the interim payment for such project;

(iii) the reason for the outstanding balance of approximately HK$5.3 million in respect of long aged group (i.e. those were more than three months based on the invoice date) as mentioned above.

Contract assets

Contract asset is recognised when (i) our Group completes the RMAA works under such service contracts but yet certified by authorised persons or external consultants appointed by customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to our customer.

The following table sets forth our contract assets as at the dates indicated:

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unbilled revenue	1,130	3,923	—	—	—
Retention receivables	24,258	32,784	16,996	25,535	33,804
	25,388	36,707	16,996	25,535	33,804

As at 31 December 2016, 2017, 2018, 2019 and 30 September 2020, our contract assets were approximately HK$25.4 million, HK$36.7 million, HK$17.0 million, HK$25.5 million and HK$33.8 million, respectively. The changes in contract assets during the Track Record Period were mainly due to fluctuation in retention receivables in accordance with our projects progress as at the respective financial year end date.

Unbilled revenue

Unbilled revenue represents the revenue not billed to the customers which our Group has completed the relevant RMAA works under such contracts but yet certified by authorised persons or external consultants appointed by our customers as at the respective financial year end date. The increase of our unbilled revenue from approximately HK$1.1 million as at 31 December 2016 to approximately HK$3.9 million as at 31 December 2017 was mainly due to the increase in the size and number of contracts works that the relevant services were completed but were not certified at the end of the reporting period, such as project WB (Project code corresponds with the paragraph headed "Business — Our Projects" in this prospectus) and a project, which is a commercial and industrial development project, while the decrease of our unbilled revenue from approximately HK$3.9 million as at 31 December 2017 to nil as at 31 December 2018, 2019 and 30 September 2020 was mainly because our Group has completed the relevant RMAA works under such contracts and certified by our customers at the end of the reporting period.

Retention receivables

Retention receivables represent the money retained by our Group's customers to secure the due performance of the contracts. Our customers normally withhold up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project. 50% of which is normally recoverable upon the practical completion of respective project and the remaining 50% is recoverable after the completion of defects liability period specified in the relevant contracts.

The increase of our retention receivables from approximately HK$24.3 million as at 31 December 2016 to approximately HK$32.8 million as at 31 December 2017 was mainly attributed by the retention receivables from our new sizable project undertaken, namely project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) and project WB (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) during FY2017, while the decrease of our retention receivables from approximately HK$32.8 million as at 31 December 2017 to HK$17.0 million as at 31 December 2018 was mainly due to the retention recoverable after the completion of the projects, such as the aforesaid project ZF during FY2018, as well as the retention recoverable after the completion of defects liability period from our customer for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). The increase of our retention receivables from approximately HK$17.0 million as at 31 December 2018 to HK$25.5 million as at 31 December 2019 was mainly attributed by the retention receivables from our new projects undertaken during FY2019, namely project BH and project KSC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) and another sizable project, namely project VC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) during FY2019. The further increase of our retention receivables from approximately HK$25.5 million for FY2019 to approximately HK$33.8 million for the nine months ended 30

September 2020 was mainly attributed by the retention receivables from our projects undertaken, namely project BH and project KSC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) as mentioned above during the nine months ended 30 September 2020.

Subsequent settlement of contract assets

Up to the Latest Practicable Date, approximately 51.8% of our contract assets (all of which were the retention receivables) as at 30 September 2020 had been billed and 23.7% of our contract assets as at 30 September 2020 had been settled.

Loss allowances for ECL under HKFRS 9

For trade receivables and contract assets, our Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. Our Group determined ECL on these items by using a provision matrix, estimated based on the internal credit rating financial quality of the debtors, historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the reporting date.

As part of our Group's credit risk management, our Group assesses applied internal credit rating for its customers. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2016, 2017, 2018, 2019 and 30 September 2020 within lifetime ECL (not credit impaired).

		Gross carrying amount	
Internal credit rating	**Average expected loss rates**	**Trade receivables**	**Contract assets**
		HK$'000	*HK$'000*
As at 31 December 2016			
Performing	0.0049%	37,375	21,157
Doubtful	1.8844%	57,415	4,313
		94,790	25,470
As at 31 December 2017			
Performing	0.0049%	34,873	13,562
Doubtful	1.8844%	95,613	23,591
		130,486	37,153
As at 31 December 2018			
Performing	0.0049%	17,477	152
Doubtful	1.8844%	93,534	17,168
		111,011	17,320

Internal credit rating	Average expected loss rates	Gross carrying amount Trade receivables	Gross carrying amount Contract assets
		HK$'000	*HK$'000*
As at 31 December 2019			
Performing	0.0085%	4,457	388
Doubtful	3.1288%	109,087	25,920
		113,544	26,308
As at 30 September 2020			
Performing	0.0103%	5,926	281
Doubtful	3.3983%	149,241	34,696
		155,167	34,977

Details of the categories for our Group's internal credit rating assessment are summarized in Note 29 to the Accountants' Report.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors by reference to a study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of this industry in which the debtors operate) that is available without due costs or efforts. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Our Group recognised loss allowances on trade receivables of approximately HK$1.1 million, HK$0.7 million, HK$1.7 million and HK$1.6 million during FY2016, FY2017, FY2019 and the nine months ended 30 September 2020, respectively, and reversed loss allowances of approximately HK$40,000 during FY2018. Our Group recognised loss allowances on contract assets of approximately HK$82,000, HK$0.4 million, HK$0.4 million and HK$0.4 million during FY2016, FY2017, FY2019 and the nine months ended 30 September 2020, respectively, and reversed loss allowances of approximately HK$0.1 million during FY2018.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach during the Track Record Period.

	Lifetime ECL (not credit impaired)		
	Trade receivables	**Contract assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	—	—	—
Loss allowances recognised	1,084	82	1,166
At 31 December 2016 and 1 January 2017	1,084	82	1,166
Loss allowances recognised	719	364	1,083
At 31 December 2017 and 1 January 2018	1,803	446	2,249
Loss allowances reversed	(40)	(122)	(162)
At 31 December 2018 and 1 January 2019	1,763	324	2,087
Loss allowances recognised	1,689	449	2,138
At 31 December 2019 and 1 January 2020	3,452	773	4,225
Loss allowances recognised	1,627	400	2,027
At 30 September 2020	5,079	1,173	6,252

Our Group writes off a trade receivable or a contract asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the Track Record Period, none of our Group's trade receivables and contract assets had been written off.

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables mainly comprised rental, utilities and sundry deposits, other receivables, tax reserves certificates, advances paid to subcontractors, deferred listing expenses and other prepayments. Our deposits, prepayments and other receivables increased from approximately HK$3.3 million as at 31 December 2016 to approximately HK$4.3 million as at 31 December 2017, while it decreased to approximately HK$1.8 million as at 31 December 2018 and increased to approximately HK$9.6 million as at 31 December 2019, while it decreased to approximately HK$8.8 million as at 30 September 2020. The increase of approximately HK$1.0 million as at 31 December 2017 was mainly due to the increase in advances paid to subcontractors of approximately HK$1.0 million during FY2017, while the decrease of approximately HK$2.5 million as at 31 December 2018 was mainly due to the decrease in advances paid to subcontractors of approximately HK$2.4 million as part of the advances payment to the subcontractors had been settled after project completion during FY2018.

The increase in our deposits, prepayments and other receivables as at 31 December 2019 of approximately HK$7.8 million was mainly due to (i) the addition of deferred listing expenses of approximately HK$3.8 million expenses incurred in connection with the Listing and will be capitalised upon Listing; (ii) the increase in rental, utilities and sundry deposits of approximately HK$1.5 million as we had paid a deposit of approximately HK$1.6 million for the issuance of performance bond of approximately HK$4.5 million for project TG (MBIS) (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus); (iii) the purchase of tax reserve certificates of approximately HK$1.3 million as discussed below; and (iv) the increase in advances paid to subcontractors of approximately HK$1.2 million during FY2019.

The decrease in our deposits, prepayments and other receivables as at 30 September 2020 of approximately HK$0.8 million was mainly due to (i) the decrease in advances paid to subcontractors of approximately HK$1.7 million; and (ii) the decrease in rental, utilities and sundry deposits of approximately HK$0.8 million because of the release of the abovementioned deposit paid for performance bond of approximately HK$1.6 million for project TG (MBIS) (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to the postponement in commencement date of such project, while such decrease was partially offset by the increase in deferred listing expenses of approximately HK$0.9 million.

During FY2019 and the nine months ended 30 September 2020, the Hong Kong Inland Revenue Department ("**IRD**") has issued an enquiry letter to HDC requesting for breakdowns and details of cost of construction work executed by HDC for the year of assessment 2012/13. An additional assessment was issued by the IRD demanding additional profits tax of approximately HK$1.3 million for the year of assessment 2012/13. Our Group has filed an objection to IRD in respect of the aforesaid additional assessment. Accordingly, a tax reserve certificate of HK$1.3 million for conditional standover order in relation to the objection against the additional assessment was purchased by our Group. In February 2020, the IRD issued an additional assessment demanding additional profits tax of HK$1,320,000 for the year of assessment 2013/14 of HDC. Our Group filed an objection to the IRD in respect of the aforesaid assessment and an unconditional holdover of an amount of HK$720,000 was granted by the IRD in March 2020. The remaining HK$600,000 had been paid by our Group to the IRD, and, based on the opinion of an independent tax adviser (as discussed below), such amount should be recoverable subject to the result of the enquiry of the IRD.

In February 2021, the IRD issued additional assessments demanding additional profits tax of approximately HK$1.7 million for the year of assessment 2014/15 of HDC and approximately HK$165,000 for the year of assessment 2014/15 of HDE. Our Group filed an objection to the IRD in respect of the aforesaid assessment on 17 February 2021 and 24 February 2021 for HDC and HDE, respectively. In relation to HDE, an unconditional holdover of an amount of HK$165,000 was granted by the IRD on 12 March 2021. In relation to HDC, based on the letter issued by the IRD on 12 March 2021, the objection is still being considered by the IRD and the Group will purchase a tax reserve certificate of HK$1.7 million by March 2021.

We have engaged an independent tax adviser (the "**Tax Adviser**"), Edwin Yeung & Company (CPA) Limited, to advise on the matters in connection with the abovementioned enquiry letter issued by IRD. The Tax Adviser opined that the issue of protective assessment was a common practice to keep the matters under the enquiry open and that did not conclude that HDC and HDE had any tax underpaid. The Tax Adviser opined that the aforesaid additional assessments are regarded as protective assessments and are originated from the enquiry of the IRD in relation to the breakdown and details of cost of construction work. The Tax Adviser also opined that the issue of protective assessment will be continuous upon the IRD has finalised the result of the enquiry. The Tax Adviser is of the view that the supporting documents and information provided by the Group were sufficient to discharge the onus of proof for the deduction claims as required under Section 68(4) of the Inland Revenue Ordinance. The Tax Adviser also opined that there was no need to make any provision for any outstanding tax in respect of the year of assessment 2012/13, 2013/14 and 2014/15 and that HDC and HDE and its directors being subject to penalty actions from the IRD is remote. In addition, 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 outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph "E. Other Information — 1. Tax and other indemnities" in Appendix V to this prospectus for details.

Amount due from a director

Details of the amount due from a director are summarized in Note 19 to the Accountants' Report.

Our amount due from a director is non-trade in nature. The amount due is unsecured, interest free and has no fixed terms of repayment. As at 31 December 2017, 2018 and 2019 and 30 September 2020, the amount due from a director represented cash advanced by our Group to Mr. Yeung for his personal use. As at 31 January 2021, the amount due from a director was approximately HK$28.8 million, and such amount will be settled by setting off against a dividend to be declared before Listing.

Trade payables

Our trade payables mainly comprised payables to subcontractors. Our trade payables increased from approximately HK$27.4 million as at 31 December 2016 to approximately HK$52.6 million as at 31 December 2017, which was mainly due to our business growth as evidenced by our increase in revenue, such as our payables for the sizable project, namely project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) as well as project SWG (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). The decrease in our trade payables from approximately HK$52.6 million as at 31 December 2017 to approximately HK$49.6 million as at 31 December 2018 was mainly contributed by the settlement to our subcontractor for the sizable project, namely Project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus, which had been completed during FY2018, while such decrease was partially offset by the increase in our trade payables, which mainly contributed by the new projects undertook during FY2018, such as project YYS, ACC and IIC (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus). The increase in our trade payables from approximately HK$49.6 million as at 31 December 2018 to approximately HK$73.7 million as at 31 December 2019 was mainly due to our business growth as evidenced by our increase in revenue, such as our payables for the projects, namely Project VC, BH and KSC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). The slight increase in our trade payables from approximately HK$73.7 million as at 31 December 2019 to approximately HK$75.0 million as at 30 September 2020 was mainly due to the increase in trade payables contributed by some of our sizeable projects, namely, project BH (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) from approximately HK$11.9

million as at 31 December 2019 to approximately HK$47.9 million as at 30 September 2020, while such increase was partially offset by the settlement to our subcontractors for the projects, namely project VC and project SWG (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) during the nine months ended 30 September 2020.

Trade payables turnover days

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

	FY2016	**FY2017**	**FY2018**	**FY2019**	**Nine months ended 30 September 2020**
	days	*days*	*days*	*days*	*days*
Trade payables turnover days*(Note)*	55.0	73.6	74.8	82.9	105.7

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 274 days for the nine months ended 30 September 2020).

Despite the credit period that granted by our subcontractors is generally within 30 days from the date of issuance of invoice, our trade payables turnover days were approximately 55.0 days, 73.6 days, 74.8 days, 82.9 days and 105.7 days. We recorded a longer trade payables turnover days mainly because as mentioned above for the trade receivables turnover days, they normally required us to rectify certain minor construction defects to their satisfaction before they settled our trade receivables, even we have completed our relevant RMAA works and such work done have been certified by our customers. Hence, we normally required the same to our subcontractors to rectify certain minor construction defects to our customers' satisfaction before we settled our trade payables.

In addition, the increase in our trade payables turnover days from approximately 55.0 days for FY2016 to approximately 73.6 days for FY2017 was mainly contributed by the payables from a relatively longer settlement process with our subcontractors as a result of our negotiation for settlement of payments because we required our subcontractors to rectify certain minor defects to our satisfaction before we settled our trade payables, such as a residential project in Tsuen Wan of approximately HK$8.4 million with trade payables more than one month as at 31 December 2017, and project SWG (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), which had outstanding trade payables more than one month of approximately HK$6.2 million, while our trade payables turnover days remained relatively stable for FY2018. Our trade payables turnover days increased from approximately 74.8 days for FY2018 to approximately 82.9 days for FY2019, which was mainly contributed by the relatively long settlement process with our subcontractors as mentioned above, such as project VC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$19.0 million with trade payables more than three months as at 31 December 2019 and project SWG (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$7.7 million with trade payables more than three months as at 31 December 2019. Our trade payables turnover days further increased from approximately 82.9 days for FY2019 to approximately 105.7 days for the nine months ended 30 September 2020, which was mainly contributed by (i) the payables from a relatively longer settlement process with our subcontractors because we required our subcontractors to rectify certain minor defects to our satisfaction before we settled our trade payables; (ii) certain projects were in the process of finalising the final accounts; and (iii) the outstanding trade payables for the project Tg (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) has not yet settled having regard to the ongoing litigation with the subcontractor.

Ageing analysis and subsequent settlement

The following table sets forth the ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one month	18,266	24,525	22,496	22,920	56,668
One to three month(s)	1,738	19,307	9,604	8,515	7,196
More than three months	7,353	8,767	17,462	42,236	11,112
	27,357	52,599	49,562	73,671	74,976

Up to the Latest Practicable Date, 48.8% of our trade payables as at 30 September 2020 has been settled:

	Trade payables as at 30 September 2020	**Subsequent settlement up to the Latest Practicable Date**	
	HK$'000	*HK$'000*	*%*
Within one month	56,668	28,797	50.8
One to three month(s)	7,196	6,644	92.3
More than three months	11,112	1,140	10.3
	74,976	36,581	48.8

The outstanding balance of approximately HK$10.0 million in respect of long-aged group (i.e. those were more than three months based on the invoice date) of our trade payable as at 30 September 2020 was mainly due to (i) a relatively longer settlement process with our subcontractors because we required our subcontractors to rectify certain minor defects to our satisfaction before we settled our trade payables, such as project IIC and project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$2.6 million in aggregate; (ii) the process for finalising the final accounts with subcontractors such as project WTIB (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) of approximately HK$0.5 million; and (iii) the ongoing litigation case for the project Tg (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) due to the fatal accident, which happened in 2014 of approximately HK$2.4 million (For details, please refer to paragraph headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" and "Business — Litigation and claims — negligence and contractual claim" in this prospectus).

Accrued liabilities and other payables

The following table sets forth the breakdown of accrued liabilities and other payables as at the dates indicated:

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Retention payables	16,100	16,683	6,447	14,614	18,651
Other payables and accruals	2,939	1,173	1,217	580	611
Accrued contract costs	47,772	61,754	58,686	31,427	46,285
Accrued listing expenses	—	—	—	7,751	9,989
Provision for claims in respect of an accident	—	—	—	—	166
Total	66,811	79,610	66,350	54,372	75,702

Retention payables

The retention payables by our Group to subcontractors are interest free and payable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, normally one year from the completion date of the respective contracts.

In particular, the decrease of our retention payables from approximately HK$16.7 million as at 31 December 2017 to approximately HK$6.4 million as at 31 December 2018 was mainly contributed by the settlement of retention payables after the completion of the projects, such as project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) during FY2018, as well as the settlement of retention payables after completion of the defects liability period for project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus).

The increase of our retention payables from approximately HK$6.4 million as at 31 December 2018 to approximately HK$14.6 million as at 31 December 2019 was mainly contributed by retention payables to project VC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), which commenced in late 2018 and project BH (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) which commenced in May 2019, amounting to HK$7.6 million, in aggregate, while such increase in retention payables were partially offset by the settlement of retention payables after the completion of the defect liabilities period for various projects.

The further increase of our retention payables from approximately HK$14.6 million as at 31 December 2019 to approximately HK$18.7 million as at 30 September 2020 was mainly contributed by the increase in our retention payables to project BH and project KSC (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus), amounting to approximately HK$6.3 million, in aggregate, during the nine months ended 30 September 2020.

Other payables and accruals

The other payables and accruals mainly comprised of the accrued audit fee, payroll payables and accrued expenses. In particular, the decrease in other payables and accrued liabilities from approximately HK$2.9 million as at 31 December 2016 to approximately HK$1.2 million as at 31 December 2017 was mainly contributed by the reduction of payroll payables and the accrued expenses, while the balance remained relatively stable as at 31 December 2018, which was approximately HK$1.2 million. The decrease of other payables and accruals from approximately HK$1.2 million as at 31 December 2018 to approximately HK$0.6 million as at 31 December 2019 was mainly due to the decrease in accrued audit fee as at 31 December 2019. Our other payables and accruals remained broadly stable at approximately HK$0.6 million as at 30 September 2020.

Accrued contract costs

The accrued contract costs represent some of our work performed close to the financial year end and such work were not yet certified to our subcontractors as at the year ended.

The increase of our accrued contract costs from approximately HK$47.8 million as at 31 December 2016 to approximately HK$61.8 million as at 31 December 2017 was mainly contributed by the works performed of our projects at the year ended, which not yet billed, such as project ZF (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) and project WB (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). The decrease of our accrued contract costs from approximately HK$61.8 million as at 31 December 2017 to approximately HK$58.7 million as at 31 December 2018 was mainly contributed by decrease in accrued contract costs of the aforesaid project ZF due to its completion in FY2018. The decrease of our accrued contract costs from approximately HK$58.7 million as at 31 December 2018 to approximately HK$31.4 million as at 31 December 2019 was mainly due to the decrease in the unbilled work performed by our subcontractors, such as project VC and project GV (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). The increase of our accrued contract costs from approximately HK$31.4 million as at 31 December 2019 to approximately HK$46.3 million as at 30 September 2020 was mainly contributed by the increase in the work performed of our projects at the period ended which we had not yet certified to our subcontractors, such as project SIC and project SHC (20) (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus). Up to the Latest Practicable Date, 99.4% of our accrued contract costs as at 30 September 2020 had been billed.

Accrued listing expenses

As at 31 December 2019 and 30 September 2020, we recorded accrued listing expenses of approximately HK$7.8 million and approximately HK$10.0 million in connection with the Listing.

Provision for claims in respect of an accident

As at 30 September 2020, we recorded a provision of approximately HK$0.2 million for the amounts payable to an insurance company for the settlement of an employee's compensation claim and the relevant legal costs incurred by the insurance company in respect of this claim regarding the fatal accident happened in March 2014, which is the Accident B (For details of the accidents, please refer to the section headed "Business — Occupational health and safety — Fatal accidents happened in May 2013 and March 2014" in this prospectus).

Property, plant and equipment

Our property, plant and equipment primarily comprised leasehold improvement, office equipment, furniture and fixtures, motor vehicles and right-of-use assets. Our property, plant and equipment amounted to approximately HK$0.6 million, HK$1.5 million, HK$0.8 million, HK$1.0 million and HK$0.3 million as at 31 December 2016, 2017, 2018, 2019 and 30 September 2020, respectively.

The increase in our property, plant and equipment of approximately HK$0.9 million from 31 December 2016 to 31 December 2017 was mainly contributed by the addition of motor vehicle and office equipment of approximately HK$1.3 million in aggregate, which partially offset by the depreciation during FY2017. The decrease in our property, plant and equipment of approximately HK$0.8 million from 31 December 2017 to 31 December 2018 was mainly contributed by the depreciation during FY2018 and there was a disposal of motor vehicle with nil net book value at the time of the disposal during FY2018. The increase in our property, plant and equipment of approximately HK$0.2 million from 31 December 2018 to 31 December 2019 was mainly contributed by the addition of (i) right-of-use assets for the lease on new office premise; (ii) leasehold improvement for the renovation of new office premise; and (iii) office equipment of HK$1.0 million in aggregate, which was partially offset by the depreciation during FY2019. The decrease in our property, plant and equipment of approximately HK$0.6 million from 31 December 2019 to 30 September 2020 was contributed by the depreciation during the nine months ended 30 September 2020.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 31 January 2021, being the Latest Practicable Date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 January 2021 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 December				As at 30 September	As at 31 January
	2016	2017	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Current liabilities						
Amount due to a director	2,378	—	—	—	—	—
Bank loans repayable within one year	—	—	4,490	2,000	9,463	5,127
Lease liabilities	101	398	102	416	178	36
Non-current liabilities						
Bank loans repayable after one year	—	—	—	—	3,337	2,713
Lease liabilities	—	102	—	72	—	—

Amount due to a director

Our Group had amount due to a director of approximately HK$2.4 million as at 31 December 2016. The amount due to a director was non-trade in nature. The amount due was unsecured, interest free and has no fixed terms of repayment. All outstanding balance as at 31 December 2016 had been settled during FY2017.

Bank loans

Our bank loans represent (i) the profit tax loan to finance our Group's payment of profit tax for the year of assessment 2017/18 and provisional tax for the year of assessment 2018/19; (ii) the revolving loan to finance our Group's payment of payroll to the employee(s) and/or subcontracting fees and/or purchase of materials from the supplier(s); and (iii) the term loans to finance the Group's expenses. As at 31 December 2019, the outstanding balance of our bank loans amounting to approximately HK$2.0 million. Our Group's bank loans carried interest rates at a floating rate at 4.625% per annum as at 31 December 2018 and at a floating rate of 6% per annum as at 31 December 2019 and 30 September 2020, respectively. The bank loans are secured by personal guarantees executed by Mr. Yeung and his spouse to the extent of approximately HK$4.9 million, HK$7.9 million and HK$15.0 million as at 31 December 2018, 2019 and 30 September 2020, respectively. For FY2019 and the nine months ended 30 September 2020, the bank loans are also secured by a deed of assignment over the proceeds from a specific contract with a customer, which is project MTR#1121431 (Project code corresponds with the paragraph headed "Business — Our project" in this prospectus). As at 31 December 2019 and 30 September 2020, trade receivables of approximately HK$3.1 million and HK$0.1 million, respectively (i.e. the receivables of project MTR#1121431) of our Group were subject to the aforesaid assignment and charge arrangement. During the nine months ended 30 September 2020, our Group drew down a loan under the SME Financing Guarantee Scheme, which was guaranteed by Hong Kong Mortgage Corporation Insurance Limited and Mr. Yeung to the extent of HK$3.8 million as at 30 September 2020. The bank loan carried at floating rates of 2.75% per annum as at 30 September 2020. Such bank loan will be repaid before Listing. For the remaining bank facilities, the personal guarantees will be released prior to the Listing and replaced by our Company's corporate guarantee. As at the Latest Practicable Date, there were HK$9.0 million unutilized banking facilities. For further details, please refer to Note 23 to the Accountants' Report.

Lease Liabilities

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Minimum lease payments due:					
Within one year	102	416	103	432	180
More than one year but less than two years	—	103	—	72	—
	102	519	103	504	180
Less: Total future interest expenses	(1)	(19)	(1)	(16)	(2)
	101	500	102	488	178
Present value of lease liabilities:					
Within one year	101	398	102	416	178
More than one year but less than two years	—	102	—	72	—
	101	500	102	488	178

The total cash outflows for leases including the payments of lease liabilities for FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2019 and 2020 were approximately HK$0.4 million, HK$0.4 million, HK$0.4 million, HK$0.4 million, HK$0.3 million and HK$0.3 million, respectively.

At the commencement date of a lease, our Group recognizes and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of the lease payments, our Group use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Our current lease liabilities amounted to approximately HK$0.1 million, HK$0.4 million, HK$0.1 million, HK$0.4 million and HK$0.2 million and our non-current lease liabilities amounted to nil, approximately HK$0.1 million, nil, HK$72,000 and nil as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, respectively. The increase in lease liabilities as at 31 December 2019 was primarily due to our relocation of office in 2019, of which we entered into a lease agreement for two years and one day with a higher rental price.

CONTINGENT LIABILITIES

During the Track Record Period and as at the Latest Practicable Date, our Group has been subject to a number of claims due to personal injuries suffered by employees of our Group's subcontractors in accidents arising out of and in the course of their employment. Our directors are of the opinion that such claims are substantially covered by insurance and would not result in material adverse impact on the financial position or results and operations of our Group.

Our Group has a performance bond for a guarantee of the completion of project TG (MBIS) (Project code corresponds with the paragraph headed "Business — Our projects" in this prospectus) issued by an insurance company amounting to approximately HK$4.5 million as at 31 December 2019, while such performance had been released as at 30 September 2020 due to the postponement in commencement date of such project.

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

	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	FY2018 or as at 31 December 2018	FY2019 or as at 31 December 2019	Nine months ended 30 September 2020 or as at 30 September 2020
Revenue growth	N/A	24.0%	31.0%	10.7%	(7.2)%
Net profit growth	N/A	25.8%	135.4%	(31.3%)	42.6%
Gross profit margin	13.4%	14.0%	17.5%	18.8%	18.7%
Net profit margin	7.8%	8.0%	14.3%	8.9%	12.1%
Return on equity	51.3%	43.1%	167.8%	94.5%	63.6%
Return on total assets	11.6%	10.4%	28.6%	16.9%	12.8%
Current ratio	1.3	1.3	1.2	1.2	1.3
Quick ratio	1.3	1.3	1.2	1.2	1.3
Inventories turnover days	N/A	N/A	N/A	N/A	N/A
Trade receivables turnover days	97.5 days	176.0 days	143.8 days	119.8 days	150.3 days
Trade payables turnover days	55.0 days	73.6 days	74.8 days	82.9 days	105.7 days
Gearing ratio	8.4%	0.0%	17.4%	6.4%	28.4%
Net debt to equity ratio	net cash	net cash	9.1%	net cash	19.1%
Interest coverage	1,035.1	757.5	1,392.5	243.0	303.1

Revenue growth

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

Net profit growth

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

Gross profit margin

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

Net profit margin

Our net profit margin remained relatively stable at approximately 7.8% for FY2016 and approximately 8.0% for FY2017. Our net profit margin increased from approximately 8.0% for FY2017 to approximately 14.3% for FY2018, which was mainly due to (i) the increase in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section, (ii) the reduction in our administrative expenses, which mainly contributed by the decrease in legal and professional fee, and (iii) the increase in our other income and gains during FY2018, while such increase was partially offset by the increase in the finance costs and income tax expense during FY2018.

Our net profit margin decreased from approximately 14.3% for FY2018 to approximately 8.9% for FY2019, representing a decrease of approximately 5.4 percentage points. Such decrease was mainly due to (i) the non-recurring listing expenses of approximately HK$13.6 million incurred by our Group, (ii) the decrease in our other income and gains of approximately HK$3.9 million, (iii) the increase in our administrative expenses of approximately HK$3.7 million during FY2019, and (iv) the increase in our finance costs during FY2019.

Our net profit margin increased from approximately 7.9% for the nine months ended 30 September 2019 to approximately 12.1% for the nine months ended 30 September 2020. It was mainly due to (i) the relatively lower listing expenses by approximately HK$6.5 million incurred by our Group during the nine months ended 30 September 2020, and (ii) the decrease in our administrative expenses of approximately HK$3.0 million during the nine months ended 30 September 2020.

Return on equity

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

Our return on equity decreased from approximately 51.3% for FY2016 to approximately 43.1% for FY2017, which was mainly due to the increase in our total equity of approximately 49.8% outweighing the increase in profit and total comprehensive income for the year of approximately 25.9%. Such increase in both profit and total comprehensive income and total equity was mainly contributed by the increase in our revenue and gross profit as discussed in the paragraph headed "Period-to-period comparison of results of operations" above in this section.

Our return on equity increased from approximately 43.1% for FY2017 to approximately 167.8% for FY2018, which was mainly due to increase in our profit and total comprehensive income for the year of approximately 135.4%, that mainly contributed by the increase in our revenue and gross profit as discussed in the paragraph headed "Period-to-period comparison of results of operations" above in this section, as well as the decrease in our total equity of approximately 39.5% due to the dividend declared of approximately HK$60.0 million during FY2018.

Our return on equity decreased from approximately 167.8% for FY2018 to approximately 94.5% for FY2019, which was mainly due to decrease in our profit and total comprehensive income for the year of approximately 31.3%, that mainly due to the non-recurring listing expenses of approximately HK$13.6 million incurred by our Group during FY2019 as discussed in the paragraph headed "Period-to-period comparison of results of operations" above in this section.

Our return on equity decreased from approximately 92.1% for the nine months ended 30 September 2019 to approximately 63.6% for the nine months ended 30 September 2020, which was mainly due the increase in our total equity of approximately 106.4% outweighing the increase in profit and total comprehensive income for the period of approximately 42.6%.

Return on total assets

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

Our return on total assets decreased from approximately 11.6% for FY2016 to approximately 10.4% for FY2017. Such decrease was mainly due to the increase in our total assets, in particular the increase in trade receivables and contract assets as at 31 December 2017, while such decrease was partially offset by the increase in our profit and total comprehensive income for the year as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our return on total assets increased from approximately 10.4% for FY2017 to approximately 28.6% for FY2018. Such increase was mainly due to the increase in our profit and total comprehensive income for the year as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section, as well as the decrease in total assets, in particular the decrease in trade receivables and contract assets, which was partially offset by the increase in amount due from a director as at 31 December 2018.

Our return on total assets decreased from approximately 28.6% for FY2018 to approximately 16.9% for FY2019. Such decrease was mainly due to the decrease in our profit and total comprehensive income for the year due to the non-recurring listing expenses of approximately HK$13.6 million incurred by our Group during FY2019.

Our return on total assets increased from approximately 9.4% for the nine months ended 30 September 2019 to approximately 12.8% for the nine months 30 September 2020. Such increase was mainly due to the increase in our profit and total comprehensive income for the period due to relatively lower listing expenses by approximately HK$6.5 million and the decrease in our administrative expenses of approximately HK$3.0 million incurred by our Group during the nine months ended 30 September 2020 as discussed in paragraph headed "Period-to-period comparison of results of operations" above in this section.

Current ratio

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

Our current ratio remained relatively stable at approximately 1.3 times as at 31 December 2016, approximately 1.3 times as at 31 December 2017, approximately 1.2 times as at 31 December 2018, approximately 1.2 times as at 31 December 2019 and approximately 1.3 times as at 30 September 2020.

Quick ratio

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

Inventories turnover days

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

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year or 274 days for the nine months ended 30 September 2020).

Please refer to the paragraph headed "Discussion of selected statement of financial position items — Trade receivables" in this section for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year or 274 days for the nine months ended 30 September 2020).

Please refer to the paragraph headed "Discussion of selected statement of financial position items — Trade payables" 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. amount due to a director and bank borrowings) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 8.4% as at 31 December 2016 and nil as at 31 December 2017. The decrease in our gearing ratio was mainly due to the settlement of our amount due to a director during FY2017.

Our gearing ratio increased from nil as at 31 December 2017 to approximately 17.4% as at 31 December 2018. The increase was primarily due to the drawdown of bank loan to finance our Group's payment of profit tax during FY2018.

Our gearing ratio decreased from approximately 17.4% as at 31 December 2018 to approximately 6.4% as at 31 December 2019. The decrease was primarily due to the repayment of the profit tax loan in November 2019.

Our gearing ratio increased from approximately 6.4% as at 31 December 2019 to approximately 28.4% as at 30 September 2020. The increase was primarily due to the increase in our total bank borrowings of approximately HK$10.8 million during the nine months ended 30 September 2020.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our Group recorded net cash position as at 31 December 2016, 2017 and 2019 and 30 September 2020.

Our net debt to equity ratio turned from net cash as at 31 December 2017 to approximately 9.1% as at 31 December 2018 was mainly due to reason similar to that for the change in our gearing ratio discussed above. Our net debt to equity ratio turned from net cash as at 31 December 2019 to approximately 19.1% as at 30 September 2020 was mainly due to reason similar to that for change in our gearing ratio discussed above.

Interest coverage

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

Our interest coverage decreased from approximately 1,035.1 times as at 31 December 2016 to approximately 757.5 times as at 31 December 2017 was mainly due to the increase in finance costs incurred by our Group as a result of the increase in our lease liabilities due to the extension of office lease agreement during FY2017. Our interest coverage increased to approximately 1,392.5 times as at 31 December 2018 was mainly due to the increase in our profit before finance costs and income tax during FY2018. Our interest coverage decreased from approximately 1,392.5 times as at 31 December 2018 to approximately 243.0 times as at 31 December 2019 was mainly due to the increase in finance costs of our bank borrowings as we drawdown a profit tax loan in late 2018 as well as a revolving loan in August 2019.

Our interest coverage increased from approximately 191.7 times as at 30 September 2019 to approximately 303.1 times as at 30 September 2020. Such significant increase was mainly due to the increase in our profit before finance costs and income tax due to the relatively lower listing expenses and administrative expenses incurred by our Group during the nine months ended 30 September 2020.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 30 to the Accountants' Report were conducted on normal commercial terms and/or on terms not less favourable than terms available than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please refer to the Note 30 to the Accountants' Report for further details of the related party transactions.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. In order to manage our potential exposure to the liquidity risk in relation to the potential cashflow mismatch arising from our projects, our Group has adopted the following measures: (i) before undertaking each project, our finance manager together with project manager, will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project as well as our other liquidity requirements; (ii) our finance manager is also 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; and (iii) if, based on the regular monitoring of our finance manager, there is any expected shortage of internal financial resources, we would consider different financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions. For further details of our financial risk management, please refer to "Business — Risk management and internal control systems" and Note 29 to the Accountants' Report.

Capital Management

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 our shareholders through the optimisation of the debt and equity balance.

During the Track Record Period, the capital structure of our Group consists of net debt, which includes bank borrowings, net of cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

Our Directors review the capital structure regularly by considering the cost of capital and the risks associated with each class of capital. Our Group will balance our overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 September 2020 as if the Share Offer had taken place on 30 September 2020, was approximately HK$0.14 per Share and HK$0.15 per Share, respectively, based on the lower end and the upper end of the indicative Offer Price range of HK$0.50 per Offer Share to HK$0.56 per Offer Share.

Please refer to the paragraph headed ''Unaudited Pro Forma Financial Information'' in Appendix II to this prospectus for further details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 13 March 2019 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 December 2016, 2017, 2018, 2019 and 30 September 2020.

DIVIDENDS

During FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, a subsidiary of our Company declared dividends of approximately HK$4.2 million, HK$60.0 million, HK$24.0 million and HK$15.0 million, respectively, to Keybase Assets, which were settled by offsetting against an equivalent amount due from Mr. Yeung. The amount due from Mr. Yeung to our Group of approximately HK$28.8 million as at 31 January 2021 will be settled by setting off against a dividend to be declared before the Listing.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospect, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$47.8 million. Out of the amount of approximately HK$47.8 million, approximately HK$26.9 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$20.9 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$20.9 million that shall be charged to profit or loss, nil has been charged for FY2016, FY2017 and FY2018, while approximately HK$13.6 million and HK$4.0 million have been charged for FY2019 and the nine months ended 30 September 2020, respectively. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2020 will be adversely affected by the estimated expenses in relation to the Listing.

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 Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2020, and there had been no events since 30 September 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report.

SUBSEQUENT EVENTS

Events and transactions took place subsequent to 30 September 2020 is detailed as below:

Since the first case of the COVID-19, has been confirmed in Hong Kong, our Directors have closely monitored the development of the outbreak of COVID-19 and kept regular communications with our customers and subcontractors to understand whether there would be any significant impacts on the status or progress of our Group's ongoing projects and availability of subcontractors in the local market.

Based on the currently available information, our Directors consider that the COVID-19 event would not have a material financial impact to our Group. However, given the inherent unpredictable nature and rapid development relating to COVID-19, our Group's business might be affected should the situations in Hong Kong deteriorates and our Directors will continue to closely monitor in this regard.

For further details of the subsequent events, please refer to section III of the Accountants' Report.

BUSINESS STRATEGIES AND FUTURE PLANS

Our principal business objective is to strengthen our market position, increase our market share and capture the growth in the RMAA industry. For details of our business strategies and future plans, please refer to the paragraph headed "Business — Business strategies" in this prospectus.

REASONS FOR THE LISTING

Our Directors believe that the Listing of the Shares on the Main Board will facilitate the implementation of our business strategies. As stated in the paragraph headed "Business — Business strategies" in this prospectus, we intend to achieve our business objectives to strengthen our market position, increase our market share and capture the growth in the RMAA industry. As such, we intend to (i) upgrade our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects; (ii) further strengthen our financial position for the purpose of securing additional and large-scale RMAA projects; and (iii) further strengthen our manpower to cope with our business development.

Our Directors consider that the Listing is beneficial to our Group for the following reasons:

- **Facilitate the implementation of our strategies in respect of adopting metal scaffolding system**

  According to the F&S Report, featured with land scarcity and market need for high-rise building development, scaffolding service is expected to remain essential for erection, repair, renovation and maintenance works for superstructures in Hong Kong. Specifically, the expansion of scaffolding service market is set to be driven primarily by growing application of metal scaffolding system which features with higher strength, and higher degree of assembly to fit in structures with various design. Furthermore, in view of growing emphasis being placed on environmental-friendliness, construction productivity and occupational health and safety, the market player may prefer metal scaffolding system over bamboo scaffolding system to minimise safety risks associated with degradation of bamboo and metal scaffolding components are typically reusable and therefore contributes to reduction of scaffolding waste. The Government has been actively promoting the use of metal scaffolding and platform and delivering training courses to workers on regular basis. In recent years, the major construction works contractors in Hong Kong have extended their applications of the metal scaffolding system, in particular for construction projects for new properties, and have also requested its subcontractors to use metal scaffolding system instead of bamboo scaffolding system for better safety level and enhance productivity of workers.

  As compared with bamboo scaffolding system, the costs for metal scaffolding system is higher, including the materials costs, storage costs as well as procurement costs. Therefore, a subcontractor adopting the metal scaffolding system with provision of the metal scaffolds to its customers would increase its subcontractors' fees. Also, the availability of metal scaffolds to be provided by the subcontractors would be subject to stock level and number of on-going projects in the market which are required to adopt metal scaffolding system at the material time. This will lead to a fluctuation of the subcontractors' fees and increase our difficulty in costs control. If the metal scaffolds are provided by our Group, our subcontractors' fees for a project can be controlled by avoiding being charged for the materials costs or rental costs for the metal scaffolds. Therefore, our Directors believe that acquiring metal scaffolds is more commercially viable and sustainable than renting the same from our subcontractors. For detailed discussion in relation to the metal scaffolding system, please refer to the paragraph headed "Business — Upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects".

Our Directors consider that we can position ourselves as one of the leading market players by aligning with the major construction works contractor and being the pioneer to adopting the usage of metal scaffolding system in our RMAA projects once our Group is capable to provide metal scaffolding system to the customers. As such, the net proceeds from the Share Offer will provide financial resources to our Group for the implementation of such business plan.

- **Funding requirements to finance our projects and capture further business opportunities**

Our principal sources of funds have historically been cash generated from our operations. Our Directors consider that while we maintain a high level of cashflow to support our Group's existing operations, the net proceeds from the Share Offer are necessary for the implementation of our future plans which require considerable additional financial resources. Without the availability of proceeds from the Share Offer, we would continue to finance the awarded projects mainly by cash generated from operations. In pace with our business growth, we believe the requirements of our cash flow will become stricter and our expansion plans are not feasible to be financed solely with our internal resources. Also, there is no assurance that we could receive project payments from our customers before we are required to settle our suppliers' invoices and other current liabilities, which may result in cash flow mismatch. In light of the uncertainty as to when project receivables can be collected, we may be required to modify our expansion plans from time to time. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecasted increase in demand for large-scale RMAA works.

Our Directors have further examined in detail the viability of implementing our expansion plan solely with our internal resources and have taken into account, among others, (i) our growth prospects as illustrated in the section headed "Business — Business strategies — Further strengthening our market position, increasing our market share and capturing the growth in the RMAA industry" in this prospectus; (ii) the cost of our expansion plan for the acquisition cost for metal scaffolding system, the estimated upcoming upfront cost requirements of additional and large-scale projects, and the expansion of project management team; (iii) it is unlikely for us to fund by our internal capital resources or to obtain additional loan especially with an amount equivalent to the net proceed from the Listing (i.e. approximately HK$84.7 million, based on the Offer Price of HK$0.53 per Offer Share, being the mid-point of the indicative Offer Price range) since it would not be feasible for our Controlling Shareholders to provide such amount of securities; and (iv) we are subject to an average monthly operational costs of approximately HK$24.6 million) as we sought to achieve during the Track Record Period. In view of the above, our Directors estimated that if we decide to implement the expansion plan without the additional funding from the Listing, our financial resources as well as our available bank loan will not be sufficient to support our expansion, not to mention any unexpected adverse changes to our business operation or financial position. Accordingly, our Directors consider that it is not commercially justifiable for us to implement the expansion plan solely with debt financing and internal resources.

According to the F&S Report, among the top five market players in the RMAA market in Hong Kong, four of them are listed on the Stock Exchange. As compared to private companies of similar scales, companies with listing status generally enjoy a wider choice of financing options because they can either conduct secondary fund raising in the stock market or negotiate for debt financing on more favourable terms with financial institutions (e.g. lower borrowing rate and/or less stringent loan security requirements etc.). If our business expansion plan is successfully implemented after the Listing and the industry continues to grow, we may leverage on our listing status to obtain financing for our further expansion, if necessary.

In addition, our Directors have taken into consideration the fact that raising additional fund by pursuing debt financing exercise will increase the gearing ratio. Our Directors believe that our customers, suppliers and creditors may give preference to company who has lesser debt burden. Our Directors have also taken into consideration the fact that bank borrowing is generally repayable while fund raised by equity financing is not. Also, having considered that (i) three potential projects which our Directors consider that we have relatively higher chances to be awarded and will be commenced in the second quarter of 2021 and first quarter of 2022 and additional financial resources and manpower are required to be in place at the relevant period; and (ii) the acquisition cost for metal scaffolds to be adopted in our future projects is significant, our Directors believe that there are immediate needs to execute these objectives together in a coordinated and timely manner. Therefore, our Directors consider that by using equity financing to raise the additional fund for the implementation of our business strategies is more appropriate because it is not necessary to retain a portion of the raised fund to prepare for repayment and the fund can be fully utilised for our business expansion.

Benefits of equity financing over debt financing

When considering the options for funding our expansion plans, our Directors have taken into account the following factors and came to the conclusion that it is in the interests of our Group and our Shareholders as a whole to proceed with equity financing in the form of Listing than through bank borrowings:

(i) In 2019, our Directors have attempted to enquire with a licensed bank for a bank facility. Based on our preliminary discussion with the bank, we are given to understand that we can only obtain a bank facility of HK$5 million with the interest rate of 1% plus prime rate and the handling fee of 1% of the loan amount. For obtaining such bank facility, the bank also requires Mr. Yeung and his spouse to provide personal guarantees.

(ii) Our Directors also believe that equity fund-raising would be more sensible and preferable as an efficient and sustainable fund-raising platform which could enable us to gain direct access to the equity capital market to raise funds for our future expansion and business development when needed, while the requirement of Mr. Yeung and his spouse to provide personal guarantees in order to obtain additional banking facilities may only satisfy our short term funding needs and may be affected by their other personal financial needs from time to time.

(iii) The proceeds drawn from the banking facilities are subject to repayment obligations for the principal amount and associated interest expenses. In the event that we are unable to generate sufficient cash inflow from our operating activities during the repayment period, we may encounter risk of default which would entitle the bank to demand immediate repayment of all the outstanding loan amount and other enforcement actions against us (e.g. seizure of bank accounts and other available assets). In addition, our Directors consider that our financial performance and liquidity may be negatively affected if market uncertainty suddenly arises. For instance, a rise in interest rate in the United States or any sudden unexpected deterioration in the prevailing market conditions in Hong Kong may lead to imposition of additional requirement to regular repayment of interest and principal to us regardless of the performance of our business. By comparison, the proceeds from the Listing will become our equity without any additional financial repayment obligations (i.e. principal amount and associated interest expenses) towards our Shareholders under normal circumstances.

(iv) Based on our equity attributable to equity holders as at 30 September 2020, it is estimated that our gearing ratio will increase from approximately 28.4% to approximately 322.6% if we fully finance our future plan by debt financing. The substantial increase in our indebtedness level and gearing ratio may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from financial institutions to support our daily operations and business expansion.

(v) As at 30 September 2020, the carrying amount of our property, plant and equipment was approximately HK$0.3 million. Therefore, our Group does not have sufficient assets for fulfilling the loan security requirements of banking borrowing. While our Group may use our trade and other receivables as securities for obtaining other form of financing from bank, the financing option available are generally short-terms loans which would not be feasible to support our business expansion.

(vi) If we raise additional funds by incurring debt financing, we may be subject to various covenants under the relevant debt instruments that may, among others, restrict our business operation or ability to obtain additional financing or pay dividend.

(vii) Equity financing could provide us additional benefits, such as (i) enhancing our corporate profile, brand awareness and competitiveness; (ii) enabling us to raise funds for future business development more easily; and (iii) enhancing work morale to nurture an integrated workforce, details of which are illustrated below.

Should we be able to raise additional capital through equity financing, we will have larger sum of cash available to satisfy the requirements for bearing the upfront costs and expenses for additional and sizable RMAA projects, and therefore be able to meet the pre-qualifications of tenders prescribed by our potential customers and be eligible to tender for large-scale RMAA projects, while at the same time without having to impose significant pressure on our cash flow status.

- **Increasing our competitiveness in the industry**

According to the F&S Report, there were a total of over 6,000 registered minor works contractors engaged in RMAA market in Hong Kong and among the top five market players in the RMAA market in Hong Kong, four of them are listed on the Stock Exchange. In order to maintain our competitiveness, we have to demonstrate to our customers and business partners, among others, our quality of service, internal control and corporate governance standards as well as our financial strength and stability. Our Directors are of the view that a listing status could enhance our corporate profile and recognition in the industry and increase the transparency of our financial condition to the customers and business partners.

We also believe that a public listing status would assist in reinforcing our image and enhancing the confidence of our stakeholders in our Group to differentiate from our competitors, enhance our strength and competitiveness, and solidify our position in the industry. Our Directors are of view that customers and business partners may prefer contractors who are listed given that a listed company is subject to ongoing regulatory compliance for announcements, public financial disclosures and general regulatory supervision by relevant regulatory bodies.

- **Enhancing work morale and facilitating the recruitment and retention of talent**

A public listing status will also facilitate us in retaining and attracting talents to join our Group. In particular, we intend to hire more skilled and experienced staff for project management who are critical for performing our duties for large-scale projects. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. Furthermore, the status of being a listed company will facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a listed company in Hong Kong.

Upon Listing, our Group shall have a Share Option Scheme in place which our employees shall be entitled to share options of our Group. Our Directors consider that our staff would be incentivised to stay with our Group under the scheme and motivated to work towards the overall performance of our Group that aligning with the potential shareholders' interests as a whole.

USE OF PROCEEDS

Assuming an Offer Price of HK$0.53, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer and the Over-allotment Option is not exercised, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK$84.7 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK$53.7 million, representing approximately 63.4% of the net proceeds from the Share Offer, will be used for upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system, in particular:

  (i) approximately HK$50.4 million, representing approximately 59.5% of the net proceeds from the Share Offer, will be earmarked for procurement of certain metal scaffolds for setting up approximately 84,000 sq.m. of working platform;

  (ii) approximately HK$1.0 million, representing approximately 1.2% of the net proceeds from the Share Offer, will be earmarked for the storage costs, including rent and management fee, of a new warehouse for storage of the unused metal scaffolds and other equipment; and

  (iii) approximately HK$2.3 million, representing approximately 2.7% of the net proceeds from the Share Offer, will be earmarked for procurement costs for a lorry and salary of the driver for delivery of the metal scaffolds between the warehouse and construction sites.

- approximately HK$24.0 million, representing approximately 28.3% of the net proceeds from the Share Offer, will be used for the working capital requirement and the payment of certain upfront costs and expenses, such as cost of site workers (mainly include subcontractors), construction materials, insurance and other site start-up costs, for additional and large-scale projects.

- approximately HK$7.0 million, representing approximately 8.3% of the net proceeds from the Share Offer, will be used for further strengthening our manpower, in particular:

Position	Preferred experience and qualification	Number of staff to be recruited	Monthly salary for each staff *HK$*	Use of proceeds *HK$'000*
Project management				
Senior project manager	— Minimum 15 years' RMAA project management experience — Experience in handling large-scale RMAA project — Member of the Hong Kong Institute of Surveyors or equivalent	1	70,000	1,211
Assistant project manager	— Minimum 10 years' RMAA project management experience — Qualified as a TCP T3	1	50,000	865
Site agent	— Minimum five years' RMAA project management experience — Qualified as a TCP T1	2	20,000	692
Quantity surveyor	— Minimum five years' experience in RMAA industry — Diploma in quantity surveying or appropriate academic background in related disciplines	1	30,000	519
Registered safety officer	— Minimum 10 years' experience in construction industry — Registered as a registered safety officer	1	50,000	865
Registered structure engineer	— Minimum 10 years' experience in construction industry — Registered structure engineer under Buildings Ordinance	1	70,000	1,213

Position	Preferred experience and qualification	Number of staff to be recruited	Monthly salary for each staff *HK$*	Use of proceeds *HK$'000*
Marketing and accounting				
Market manager	— Minimum 10 years' experience in RMAA industry	1	50,000	813
Financial controller	— Minimum five years' experience in accounting & financial industry — Member of the Hong Kong Institute of Certified Public Accountants	1	50,000	850

If the Offer Price is set at the high- or low-end of the indicative Offer Price range, being HK$0.56 and HK$0.50 per Offer Share, respectively (assuming the Over-allotment Option is not exercised), the net proceeds from the Share Offer will increase or decrease by approximately HK$7.5 million and our Directors intend to adjust the above allocation of the net proceeds on a pro-rata basis.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described above, our Group will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately applied for the above purposes, our Directors intend that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

IMPLEMENTATION PLANS

The following table sets forth a breakdown of how the net proceeds to be received by us from the Share Offer are intended to be applied and the timing of application:

	From the Latest Practicable Date to 31 December 2021	From 1 January 2022 to 31 December 2022	Total	
	(HK$' million)	*(HK$' million)*	*(HK$' million)*	*%*
Upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system	53.0	0.7	53.7	63.4
Expanding our market share by securing additional and sizable RMAA projects	22.9	1.1	24.0	28.3
Strengthening our manpower	3.3	3.7	7.0	8.3
Total	79.2	5.5	84.7	100.0

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the above implementation plans:

(i) the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" in this prospectus;

(ii) our Group will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period, and we will be able to carry out the implementation plans without adversely affecting our operations;

(iii) our Group will not be materially affected by any risk factor set out in the section headed "Risk factors" in this prospectus;

(iv) our Group is able to retain our customers and suppliers;

(v) our Group will be able to retain key staff; and

(vi) there will be no material changes in the existing political, legal, fiscal or economic conditions, and in the bases or rates of taxation in Hong Kong, and any other place in which any member of our Group carries on or will carry on its business.

THE JOINT BOOKRUNNERS

Zhong Jia Securities Limited
MTF Securities Limited

THE JOINT LEAD MANAGERS

Sinomax Securities Limited
Vinco Capital Limited
ChaoShang Securities Limited
Get Nice Securities Limited
Head & Shoulders Securities Limited

PUBLIC OFFER UNDERWRITERS

Zhong Jia Securities Limited
MTF Securities Limited
Sinomax Securities Limited
Vinco Capital Limited
ChaoShang Securities Limited
Get Nice Securities Limited
Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

(a) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and

(b) the Placing Underwriting Agreement having been executed, becoming and continuing to be unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may have the absolute right upon giving a written notice to the Company to terminate the Public Offer Underwriting Agreement at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

(i) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

(b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "Relevant Jurisdictions"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism or strike) in or affecting any of the Relevant Jurisdictions; or

(k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk factors" in this prospectus; or

(l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or

(m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or

(o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or

(p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

(q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

(r) any loss or damage sustained by any member of our Group; or

(s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or

(u) the chairman or president of our Company vacating his office; or

(v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or

(w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or

(x) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(y) any adverse change (whether or not permanent) in local, national or international stock market conditions,

which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospect of our Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, Placing Underwriting Agreement and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or

(ii) the Joint Bookrunners or the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:

(a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Bookrunners, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or

(b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement or advertisement issued by or on behalf of our Company in connection with the Public Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or

(d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been discovered in this prospectus, constitute a material omission therefrom; or

(e) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospect, profits, losses or financial or trading position or performance of any member of our Group; or

(f) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and executive Directors has undertaken to and covenants with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that:

(a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or any option to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-month Period**");

(b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or any option to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that our Controlling Shareholders, directly or indirectly, would cease to be a group of controlling shareholders of our Company (within the meaning defined in the Listing Rules); and

(d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that, except pursuant to the Share Offer and unless in compliance with the Listing Rules, he or it shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public

Offer Underwriters), directly or indirectly, and shall procure that none of his or its close associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-month Period:

(a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (l) such disposal shall not result in our Controlling Shareholders ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of our Controlling Shareholders undertakes to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

(a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) in the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) in the period of six months commencing on the date which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of: (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and (b) when it or he or the relevant requested holders receive indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

The Placing

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed ‘‘Undertakings to the Public Offer Underwriters’’ above in this section.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option. The Joint Bookrunners or their agent, on behalf of the Placing Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Placing Share, solely to cover over allocations, if any, in the Placing.

The Over-allotment Option may be exercised by the Joint Bookrunners at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the Placing, if any. For further details of the Over-allotment Option, please refer to the section headed ‘‘Structure and conditions of the Share Offer’’ in this prospectus.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 13% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. In addition, the Joint Bookrunners will be entitled to an incentive fee equal to 3.0% of the aggregate Offer Price payable for the Offer Shares. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK$47.8 million in aggregate (based on an Offer Price of HK$0.53 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.50 per Offer Share and HK$0.56 per Offer Shares and assuming that the Over-allotment Option is not exercised) and are payable by our Company with reference to the number of Shares under the Share Offer.

SPONSOR AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above in this section.

We have appointed Grande Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Bookrunners will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

(a) the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed "The Public Offer" in this section; and

(b) the Placing of 225,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) as described under the paragraph headed "The Placing" in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed "Pricing and allocation" in this section.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company's enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 12,500,000 Offer Shares for each of pool A and 12,500,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated by the Joint Bookrunners on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer within either pool or between pools and any application for more than 12,500,000 Public Offer Shares, being 50% of the 25,000,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of the Offer Shares initially available for subscription under the Public Offer, then 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing so that the total number of the Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer;

(ii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

(iv) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range (i.e. HK$0.50 per Offer Share) stated in this prospectus.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances under paragraph (a)(i), (a)(ii), (a)(iii), (a)(iv) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deems appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners and pursuant to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange and Practice Note 18 of the Listing Rules.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.56 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,828.22 for one board lot of 5,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" in this section below, is less than the maximum Offer Price of HK$0.56 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

THE PLACING

Number of the Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 225,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer, assuming the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional, institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer

Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer — Reallocation" in this section above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, we are expected to grant the Over-allotment Option to the Placing Underwriters, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters.

Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer to require our Company to allot and issue, at the Offer Price, up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms and conditions as those applicable to the Share Offer, to cover over-allocations in the Placing and/or the obligations of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement. We will make an announcement if the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional Offer Shares allotted and issued will represent approximately 3.61% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Share Offer, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 37,500,000 Shares from Harvest Land pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by our Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with the Stabilising Manager is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules include: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

(a) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;

(d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin from the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

(e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

(f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Joint Bookrunners, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 37,500,000 Shares from Harvest Land, equivalent to the maximum number of Shares to be allotted and issued by our Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The same number of Shares so borrowed must be returned to Harvest Land or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulation requirements.

No payments or other benefit will be made to Harvest Land by the Stabilising Manager in relation to the stock borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The Joint Bookrunners will solicit from prospective investors the indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Share Offer. Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 24 March 2021, and in any event on or before Thursday, 25 March 2021, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the Share Offer will be determined shortly thereafter.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.hongdau.com.hk** a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will be not more than HK$0.56 per Offer Share and is expected to be not less than HK$0.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Share Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer must pay, on application, the maximum Offer Price of HK$0.56 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK$2,828.22 per board lot of 5,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.56 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 25 March 2021, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

Change of the Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In this case, we shall cause to be published, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

(a) a notice of the change on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.hongdau.com.hk**. The notice will include a confirmation or revision, as appropriate, of the working capital statement and the Public Offering statistics and any other financial information in this prospectus which may change as a result of any such change; and

(b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any such notice published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Tuesday, 30 March 2021 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.hongdau.com.hk**.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed ''Underwriting'' in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date.

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Thursday, 25 March 2021, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.hongdau.com.hk** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 30 March 2021 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 31 March 2021 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 31 March 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 31 March 2021. The Shares will be traded in board lots of 5,000 Shares.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate of any of the above; or

- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 19 March 2021 to 12:00 noon on Wednesday, 24 March 2021 from:

(i) the following addresses of the Underwriters:

- Zhong Jia Securities at Unit D-F, 15/F, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong
- MTF Securities Limited at Room B, 21/F, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, N.T., Hong Kong
- Sinomax Securities Limited at Room 2705–6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong
- Vinco Capital Limited at Unit 2610, 26/F, The Center, 99 Queen's Road Central, Hong Kong
- ChaoShang Securities Limited at Rooms 2206–2210, 22/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
- Get Nice Securities Limited at 10/F Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong
- Head & Shoulders Securities Limited at 28–29/F, Queen's Road Centre, 152 Queen's Road Central, Hong Kong

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central Hong Kong
	Wanchai Branch	117–123 Hennessy Road, Wanchai Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F No. 35–37 Hankow Road, Tsimshatsui Kowloon
	Mongkok Branch	G/F, Belgian Bank Building 721–725 Nathan Road, Mongkok Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center 79 Hoi Yuen Road, Kwun Tong Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building 297–313 Sha Tsui Road, Tsuen Wan New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 19 March 2021 until 12:00 noon on Wednesday, 24 March 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Unity Enterprise Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 19 March 2021 — 9:00 a.m. to 5:00 p.m.
- Saturday, 20 March 2021 — 9:00 a.m. to 1:00 p.m.
- Monday, 22 March 2021 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 23 March 2021 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 24 March 2021 — 9:00 a.m. to 12:00 noon

The application lists will open from 11:45 a.m. to 12:00 noon on Wednesday, 24 March 2021, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sponsor and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Act the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may see the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions (1)

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, 19 March 2021 — 9:00 a.m. to 8:30 p.m.

- Monday, 22 March 2021 — 8:00 a.m. to 8:30 p.m.

- Tuesday, 23 March 2021 — 8:00 a.m. to 8:30 p.m.

- Wednesday, 24 March 2021 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 19 March 2021 until 12:00 noon on Wednesday, 24 March 2021 (24 hours daily, except on Wednesday, 24 March 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 24 March 2021, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Wednesday, 24 March 2021.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the numbers of Public Offer Shares that may be applied for.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Structure and conditions of the Share Offer — Pricing and allocation" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- Extreme Conditions announced by the Hong Kong Government; and/or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 24 March 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 24 March 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 30 March 2021 on our Company's website at **www.hongdau.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.hongdau.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Tuesday, 30 March 2021;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment)** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 30 March 2021 to 12:00 midnight on Monday, 5 April 2021;
- by telephone enquiry line by calling (852) 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, 30 March 2021, Wednesday, 31 March 2021, Thursday, 1 April 2021 and Wednesday, 7 April 2021;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 30 March 2021 to Thursday, 1 April 2021 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(i) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 30 March 2021.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, 30 March 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Wednesday, 31 March 2021 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 30 March 2021 or such other date as notified by us on the website of our Company at **www.hongdau.com.hk** or on the website of the Stock Exchange at **www.hkexnews.hk**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 30 March 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 30 March 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 30 March 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 30 March 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 30 March 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of results" above on Tuesday, 30 March 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 30 March 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 30 March 2021. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 30 March 2021.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNITY ENTERPRISE HOLDINGS LIMITED AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Unity Enterprise Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages I-4 to I-49, which comprises the consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, the statements of the financial position of the Company as at 31 December 2019 and 30 September 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-49 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 March 2021 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 preparation and presentation set out in note 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 accountants' 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 accountants' 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 accountants consider 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 preparation and presentation set out in note 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 Accountants' Report, a true and fair view of the Company's financial position as at 31 December 2019 and 30 September 2020, the Group's financial position as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (together the ''Stub Period Comparative Historical Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical 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 Historical Financial Information, for the purposes of the Accountants' Report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 12 to the Historical Financial Information which contains information about the dividends paid by the Company and the Company's subsidiaries 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.

BDO Limited
Certified Public Accountants
Lui Chi Kin
Practising Certificate no. P06162

Hong Kong, 19 March 2021

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this Accountants' Report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Group for the Track Record Period. The consolidated financial statements of the Group have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by HKICPA and were audited by us in accordance with HKSAs issued by HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December				Nine months ended 30 September	
		2016	**2017**	**2018**	**2019**	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*7*	185,975	230,558	301,978	334,249	255,574	237,102
Cost of services		(160,978)	(198,366)	(249,239)	(271,339)	(208,623)	(192,738)
Gross profit		24,997	32,192	52,739	62,910	46,951	44,364
Other income and gains	*8*	954	232	3,947	—	—	794
Administrative expenses		(7,189)	(9,374)	(5,325)	(9,029)	(7,259)	(4,301)
Loss allowances on trade receivables and contract assets	*29(ii)*	(1,166)	(1,083)	162	(2,138)	(3,202)	(2,027)
Listing expenses		—	—	—	(13,599)	(10,425)	(3,971)
Finance costs	*9*	(17)	(29)	(37)	(157)	(136)	(115)
Profit before income tax	*10*	17,579	21,938	51,486	37,987	25,929	34,744
Income tax expense	*11*	(3,001)	(3,596)	(8,310)	(8,343)	(5,840)	(6,088)
Profit and total comprehensive income for the year/period		14,578	18,342	43,176	29,644	20,089	28,656

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December				As at 30 September
		2016	2017	2018	2019	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	*15*	646	1,536	786	959	331
Deferred tax assets	*24*	168	311	247	648	1,025
Total non-current assets		814	1,847	1,033	1,607	1,356
Current assets						
Trade receivables	*16*	93,706	128,683	109,248	110,092	150,088
Contract assets	*17*	25,388	36,707	16,996	25,535	33,804
Deposits, prepayments and other receivables	*18*	3,273	4,270	1,773	9,605	8,835
Amount due from a director	*19*	—	3,965	19,849	18,732	25,761
Tax recoverable		—	—	—	—	600
Cash and bank balances	*20*	2,638	1,238	2,139	9,882	4,186
Total current assets		125,005	174,863	150,005	173,846	223,274
Current liabilities						
Trade payables	*21*	27,357	52,599	49,562	73,671	74,976
Accrued liabilities and other payables	*22*	66,811	79,610	66,350	54,372	75,702
Amount due to a director	*19*	2,378	—	—	—	—
Lease liabilities	*25*	101	398	102	416	178
Tax payable		756	1,443	4,800	13,544	15,940
Bank borrowings	*23*	—	—	4,490	2,000	9,463
Total current liabilities		97,403	134,050	125,304	144,003	176,259
Net current assets		27,602	40,813	24,701	29,843	47,015
Total assets less current liabilities		28,416	42,660	25,734	31,450	48,371
Non-current liabilities						
Lease liabilities	*25*	—	102	—	72	—
Bank borrowings	*23*	—	—	—	—	3,337
Total non-current liabilities		—	102	—	72	3,337
Net assets		28,416	42,558	25,734	31,378	45,034
Equity attributable to owners of the Company						
Share capital	*26(a)*	—	—	—	—	—
Reserves	*26(b)*	28,416	42,558	25,734	31,378	45,034
Total equity		28,416	42,558	25,734	31,378	45,034

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Merger reserve* *HK$'000*	Retained earnings* *HK$'000*	Total equity *HK$'000*
At 1 January 2016	—	—	13,838	13,838
Profit and total comprehensive income for the year	—	—	14,578	14,578
At 31 December 2016 and 1 January 2017	—	—	28,416	28,416
Profit and total comprehensive income for the year	—	—	18,342	18,342
Dividend *(note 12)*	—	—	(4,200)	(4,200)
At 31 December 2017 and 1 January 2018	—	—	42,558	42,558
Profit and total comprehensive income for the year	—	—	43,176	43,176
Dividend *(note 12)*	—	—	(60,000)	(60,000)
At 31 December 2018 and 1 January 2019	—	—	25,734	25,734
Profit and total comprehensive income for the year	—	—	29,644	29,644
Issue of shares of the Company *(note 26(a))*	—	—	—	—
Arising from the Reorganisation *(note 26(a))*	—	—	—	—
Dividend *(note 12)*	—	—	(24,000)	(24,000)
At 31 December 2019 and 1 January 2020	—	—	31,378	31,378
Profit and total comprehensive income for the period	—	—	28,656	28,656
Dividend *(note 12)*	—	—	(15,000)	(15,000)
At 30 September 2020	—	—	45,034	45,034
(Unaudited)				
At 1 January 2019	—	—	25,734	25,734
Profit and total comprehensive income for the period	—	—	20,089	20,089
Dividend *(note 12)*	—	—	(24,000)	(24,000)
At 30 September 2019	—	—	21,823	21,823

* These reserve balances comprised the reserve account as set out in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December				Nine months ended 30 September	
		2016	2017	2018	2019	2019	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)	
Cash flows from operating activities							
Profit before income tax		17,579	21,938	51,486	37,987	25,929	34,744
Adjustments for:							
Depreciation of property, plant and equipment	*10*	916	1,230	759	875	660	641
Gain on disposal of property, plant and equipment	*8*	—	—	(710)	—	—	—
Interest expenses	*9*	17	29	37	157	136	115
Loss allowances on trade receivables and contract assets	*29(ii)*	1,166	1,083	(162)	2,138	3,202	2,027
Operating profit before working capital changes		19,678	24,280	51,410	41,157	29,927	37,527
(Increase)/decrease in trade receivables		(89,161)	(35,697)	19,475	(2,532)	(37,372)	(41,623)
Decrease/(increase) in contract assets		13,160	(11,682)	19,833	(8,989)	(9,563)	(8,669)
Decrease/(increase) in deposits, prepayments and other receivables		2,151	(997)	2,497	(7,832)	(16,536)	770
Increase/(decrease) in trade payables		6,203	25,242	(3,037)	24,109	5,251	1,305
Increase/(decrease) in accrued liabilities and other payables		21,774	12,799	(13,260)	(11,978)	58,093	21,330
Cash (used in)/generated from operations		(26,195)	13,945	76,918	33,935	29,800	10,640
Income tax paid		(4,066)	(3,097)	(4,889)	—	—	(4,669)
Income tax refunded		—	45	—	—	—	—
Net cash (used in)/generated from operating activities		(30,261)	10,893	72,029	33,935	29,800	5,971
Cash flows from investing activities							
Purchase of property, plant and equipment		(52)	(134)	(9)	(268)	(233)	(13)
Proceeds from disposal of property, plant and equipment		—	—	710	—	—	—
Decrease/(increase) in amount due from a director		21,010	(9,367)	(75,884)	(22,883)	(24,172)	(22,029)
Net cash generated from/(used in) investing activities		20,958	(9,501)	(75,183)	(23,151)	(24,405)	(22,042)

	Year ended 31 December				Nine months ended 30 September	
	2016	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash flows from financing activities						
Proceeds from bank borrowings	—	—	4,889	4,000	2,000	13,800
Repayments of bank borrowings	—	—	(399)	(6,490)	(4,660)	(3,000)
Payments of lease liabilities	(410)	(414)	(416)	(427)	(341)	(324)
Advance from/(repayment to) a director	2,378	(2,378)	—	—	—	—
Interest paid	—	—	(19)	(124)	(111)	(101)
Net cash generated from/(used in) financing activities	1,968	(2,792)	4,055	(3,041)	(3,112)	10,375
Net (decrease)/increase in cash and cash equivalents	(7,335)	(1,400)	901	7,743	2,283	(5,696)
Cash and cash equivalents at beginning of the year/period	9,973	2,638	1,238	2,139	2,139	9,882
Cash and cash equivalents at end of the year/period, representing cash and bank balances	2,638	1,238	2,139	9,882	4,422	4,186

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2019 *HK$'000*	As at 30 September 2020 *HK$'000*
Non-current asset			
Investment in a subsidiary	*31*	—	—
Total non-current asset		—	—
Current asset			
Amount due from the shareholder		—*	—*
Total current asset		—*	—*
Net assets		—*	—*
Equity			
Share capital	*26(a)*	—*	—*
Reserves	*26(b)*	—*	—*
Total equity		—*	—*

* *Less than HK$1,000*

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate information

The Company is a limited liability company incorporated in the Cayman Islands on 13 March 2019 under the Companies Act of the Cayman Islands. The address of the Company's registered office and the principal place of business are disclosed in the section "Corporate information" in the Prospectus.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in provision of renovation, maintenance, and alteration and addition ("**RMAA**") works services in Hong Kong.

(b) Reorganisation

Pursuant to a group reorganisation carried out by the Group in preparation for the proposed listing of shares of the Company on the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group on 22 March 2019. Details of the Reorganisation are as set out in the section headed "History, development and Reorganisation" in the Prospectus.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries with limited liability:

Name	Place and date of Incorporation	Principal activities	Issued ordinary share capital	Percentage of equity attributable to the Company	
				Directly	Indirectly
Keybase Assets Limited ("**Keybase Assets**") (i)	BVI 5 July 2012	Investment holding	US$1	100%	—
Hong Dau Construction Company Limited ("**HDC**") (ii)	Hong Kong 8 December 1981	Provision of RMAA works	HK$300,000	—	100%
Hong Dau Construction & Engineering Co. Limited ("**HDE**") (iii)	Hong Kong 15 October 2005	Provision of RMAA works	HK$10,000	—	100%

Notes:

(i) No statutory audited financial statements of Keybase Assets have been prepared since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirement.

(ii) The statutory financial statements for the year ended 31 December 2016, prepared under HKFRSs, were audited by Chan, Li, Law CPA Limited. The statutory financial statements for the year ended 31 December 2017, prepared under HKFRSs, were audited by Goted CPA Limited. The statutory financial statements for the years ended 31 December 2018 and 2019, prepared under HKFRSs, were audited by BDO Limited.

(iii) The statutory financial statements for the years ended 31 March 2016 and 2017, prepared under the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by the HKICPA, were audited by Richard S.K. Chan & Co.. The statutory financial statements for the year ended 31 March 2018, prepared under SME-FRS, were audited by Goted CPA Limited. The statutory financial statements for the nine months ended 31 December 2018 and the year ended 31 December 2019, prepared under HKFRSs, were audited by BDO Limited.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) Basis of presentation

Immediately prior to and after the Reorganisation, the Group's business was carried out by HDC and HDE which were under control of and beneficially owned by Mr. Yeung Wing Sun, the ultimate controlling shareholder of the Group (the "**Controlling Shareholder**"). Pursuant to the Reorganisation, HDC and HDE are under the effective control of Keybase Assets, and ultimately the Company and the Controlling Shareholder. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The Company has not been involved in any other business prior to the Reorganisation and its operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the listing business and does not result in any changes in business substance, nor in any management or controlling shareholders of the listing business, before and after the Reorganisation. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying value of the listing business for all periods present.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group as if the current group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation has been in existence at those dates taking into account the respective dates of incorporation, where applicable. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

(b) Basis of preparation

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conforms with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes Hong Kong Accounting Standards ("**HKASs**") and related interpretations, promulgated by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information is presented in HK$. Items included in the financial information of each entity within the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("**the functional currency**"). The functional currency of the Company is HK$. The companies comprising the Group are operating in Hong Kong and their functional currencies are HK$. HK$ is used as the presentation currency of the Group.

The Historical Financial Information has been prepared on the historical cost basis.

3. ADOPTION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the new and revised HKFRSs, HKASs, amendments and interpretations issued by the HKICPA, which are effective during the Track Record Period.

At the date of this report, the Group has not early adopted the following new or revised HKFRSs, that have been issued but not yet effective, in this Historical Financial Information.

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19 Related Rent Concession[5]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but is available for early adoption
5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the adoption of the above new and amendments to HKFRSs will have no material impact on the financial statements of the Group in the future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

(i) Merger accounting for common control combination

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(ii) Acquisition method of accounting for non-common control combination

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year 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.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs 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 recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvement	Over the remaining life of the leases but not exceeding 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Right-of-use assets	Over the shorter of estimated useful life and the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing.

At the end of each reporting period, the Group reviews the carrying amounts of these assets to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

(i) Financial assets

Classification and subsequent measurement of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

Financial assets at amortised cost and effective interest method

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(ii) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amount due from a director and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that are reasonable and supportable, including historical experience and forward-looking information that are available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history), (ii) the borrower has a strong capacity to meet its contractual cashflow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cashflow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, amount due from a director and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(iii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instrument issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instruments and a financial liability.

Financial liabilities

All financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of and entity after deducting all of its liabilities. Equity instruments issued by a group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(g) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15 "Revenue from Contracts with Customers".

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted and presented on a net basis.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the costs relate. The asset is subject to impairment review.

(i) Provision of RMAA works

The Group provides RMAA works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the RMAA works performed by the Group create or enhance a property that the customer controls as the property is created or enhanced. Revenue from provision of RMAA works is therefore recognised over time using output method, i.e. based on surveys of works completed by the Group to date with reference to the payment certificates certified by authorised persons or external consultants appointed by the customers. The directors of the Company consider that the output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

For certain RMAA works under term contracts, revenue is recognised when the Group rendered the services and has right to payment and the collection of the consideration is probable.

Contract asset is recognised when (i) the Group completes the RMAA works under such service contracts but yet certified by authorised persons or external consultants appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceed the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

For warranty embedded to the RMAA contracts, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the RMAA works comply with the agreed-upon specifications.

(ii) Other income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(h) Leasing

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

(i) Right-of-use assets

The Group recognised right-of-use assets and lease liabilities at the commencement date of the leases. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease terms.

(ii) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- 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 Group under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate

After the commencement date, lease liabilities are adjusted by interest assertion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(iii) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(i) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(j) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowing pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(n) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the adoption of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Current tax

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the years in which such determination is made.

(b) Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 29(ii).

(c) Estimation of RMAA works contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variations in project work and claims prepared for each RMAA works contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

Information about major customers

During the Track Record Period, revenue from major customers who contributed over 10% of the total revenue of the Group is as follows:

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	41,983	—	—	—	—	—
Customer B	30,015	—	—	—	—	—
Customer C *(note)*	27,116	N/A	N/A	37,465	32,484	N/A
Customer D *(note)*	22,000	N/A	N/A	—	—	—
Customer E *(note)*	21,720	N/A	N/A	40,512	31,659	N/A
Customer I *(note)*	20,232	N/A	N/A	—	—	—
Customer F *(note)*	—	96,641	158,346	—	—	N/A
Customer G *(note)*	N/A	30,075	N/A	N/A	N/A	N/A
Customer H *(note)*	—	27,640	N/A	—	—	—
Customer J *(note)*	—	N/A	36,227	47,386	42,942	N/A
Customer K *(note)*	—	—	N/A	80,879	63,124	N/A
Customer U *(note)*	—	—	—	71,013	54,094	112,047
Customer W *(note)*	—	—	—	N/A	—	44,666

Note: The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective year/period.

7. REVENUE

Revenue represents the fair value of amounts received and receivable for the provision of RMAA works provided by the Group to customers.

Disaggregation of revenue

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Type of contract nature						
Project-based						
— Subcontractor	129,071	222,815	292,615	292,325	222,503	218,670
— Main contractor	42,589	2,059	4,023	5,274	4,263	3,600
Term-contract based	14,315	5,684	5,340	36,650	28,808	14,832
	185,975	230,558	301,978	334,249	255,574	237,102
Type of developments						
Residential	142,616	87,878	86,044	183,156	145,560	147,768
Commercial and industrial	43,359	141,294	215,934	151,093	110,014	89,334
Institutional organisation	—	1,386	—	—	—	—
	185,975	230,558	301,978	334,249	255,574	237,102

Revenue from contract with customers arose from provision of RMAA works rendered in Hong Kong under long-term contracts and was recognised over time during the Track Record Period. All the Group's provision of RMAA works is made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Provision of RMAA works						
Expected to be recognised within one year	53,128	210,889	206,945	170,671	211,981	271,422
Expected to be recognised after one year	17,840	3,519	43,125	180,821	178,984	76,316
	70,968	214,408	250,070	351,492	390,965	347,738

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of RMAA works as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 has been/will be recognised as revenue in the subsequent 1 month to 43 months.

8. OTHER INCOME AND GAINS

The Group's other income and gains recognised during the Track Record Period are as follows:

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Interest income from a customer	—	—	2,612	—	—	—
Compensation income from insurance companies	863	232	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	710	—	—	—
Government subsidies	—	—	—	—	—	794
Other income	91	—	625	—	—	—
	954	232	3,947	—	—	794

The government subsidies mainly related to wage subsidies from the Government of Hong Kong Special Administrative Region under the Employment Support Scheme ("ESS"). Under the terms of the ESS, the Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.

9. FINANCE COSTS

	Year ended 31 December				Nine months ended 30 September	
	2016	2017	2018	2019	2019	2020
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000* (Unaudited)	*HK\$'000*
Interest on bank borrowings	—	—	19	124	111	101
Interest on lease liabilities	17	29	18	33	25	14
	17	29	37	157	136	115

10. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Year ended 31 December				Nine months ended 30 September	
	2016	2017	2018	2019	2019	2020
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000* (Unaudited)	*HK\$'000*
Employee benefit expenses (including directors' remuneration):						
— Salaries, allowances and other benefits	6,431	5,849	4,802	7,055	5,091	4,976
— Contributions to retirement benefits schemes	254	232	187	275	203	198
Total employee benefit expenses	6,685	6,081	4,989	7,330	5,294	5,174
Auditor's remuneration	101	107	387	100	75	75
Depreciation of property, plant and equipment	916	1,230	759	875	660	641

The employee benefit expenses included in cost of services were HK\$4,022,000, HK\$3,247,000, HK\$2,262,000, HK\$4,059,000, HK\$2,882,000 and HK\$2,869,000 for the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 respectively.

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong Profits Tax was provided at a flat rate of 16.5% on the estimated assessable profits for the years ended 31 December 2016 and 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, Hong Kong Profits Tax of a qualified entity in the Group was provided at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020. The profits of the other Hong Kong subsidiary will continue to be taxed at a flat rate of 16.5%.

During the year ended 31 December 2019, the Hong Kong Inland Revenue Department ("**IRD**") has issued an enquiry letter to HDC requesting for breakdowns and details of cost of construction work executed by HDC for the year of assessment 2012/13. An additional assessment was issued by IRD demanding additional profits tax of HK$1,320,000 for the year of assessment 2012/13.

The Group has filed an objection to IRD in respect of the aforesaid additional assessment. A tax reserve certificate of HK$1,320,000 (note 18) for condition hold-over order of objection against the additional assessment was purchased by the Group.

During the nine months ended 30 September 2020, the IRD issued an additional assessment demanding additional profits tax of HK$1,320,000 for the year of assessment 2013/14. The Group filed an objection to IRD in respect of the aforesaid assessment and an unconditional holdover of an amount of HK$720,000 was granted by IRD on 27 March 2020.

In February 2021, the IRD issued additional assessments demanding additional profits tax of HK$1,650,000 for the year of assessment 2014/15 to HDC and HK$165,000 for the year of assessment 2014/15 to HDE. The Group filed objections to the IRD in respect of the aforesaid assessments on 17 February 2021 and 24 February 2021 for HDC and HDE, respectively. In relation to HDE, an unconditional holdover of an amount of HK$165,000 was granted by the IRD on 12 March 2021. In relation to HDC, based on the letter issued by the IRD on 12 March 2021, the objection is still being considered by the IRD and the Group will purchase a tax reserve certificate on HK$1,650,000 by March 2021.

Having taken the opinion of tax advisers and based on the information available to the Group, the directors of the Company are of the view that HDC and HDE have sufficient grounds to substantiate the deduction claims for cost of construction work executed for the years of assessment 2012/13, 2013/14 and 2014/15. Accordingly, no provision in respect of these additional assessments has been made in the consolidated financial statements.

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current tax — Hong Kong Profits Tax						
— Charge for the year/period	3,169	3,739	8,266	8,744	6,390	6,465
— Over-provision in respect of prior years	—	—	(20)	—	—	—
	3,169	3,739	8,246	8,744	6,390	6,465
Deferred tax *(note 24)*						
— (Credit)/charge for the year/period	(168)	(143)	58	(401)	(550)	(377)
— Effect of a change in tax rate	—	—	6	—	—	—
	3,001	3,596	8,310	8,343	5,840	6,088

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	17,579	21,938	51,486	37,987	25,929	34,744
Tax at the rates applicable to profits in the tax jurisdictions concerned	2,902	3,622	8,343	6,157	4,174	5,594
Tax effect of non-taxable income	—	—	—	—	—	(128)
Tax effect of non-deductible expenses	119	3	1	2,206	1,686	642
Tax effect of tax losses not recognised	—	1	—	—	—	—
Tax reduction	(20)	(30)	(20)	(20)	(20)	(20)
Over-provision in respect of prior years	—	—	(20)	—	—	—
Effect of a change in tax rate	—	—	6	—	—	—
Income tax expense	3,001	3,596	8,310	8,343	5,840	6,088

12. DIVIDENDS

During the years ended 31 December 2017 and 2018, a subsidiary of the Company declared dividends of HK$4,200,000 and HK$60,000,000 respectively to Keybase Assets which were settled through the current account due from a director.

During the period from 13 March 2019 to 31 December 2019 and the nine months ended 30 September 2020, the Company declared interim dividends of HK$240,000 per ordinary shares and HK$150,000 per ordinary share amounting to HK$24,000,000 and HK$15,000,000 respectively to its shareholder which were settled through the current account due from a director.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the nine months ended 30 September 2020.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Track Record Period.

14. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The Company did not have any chief executive director, non-executive director and independent non-executive director at any time during the years ended 31 December 2016, 2017 and 2018 as the Company was incorporated on 13 March 2019.

Mr. Yeung Wing Sun was appointed as a director of the Company on 13 March 2019 and was redesignated as executive director and the chairman of the Board of Directors of the Company on 25 March 2019. Mr. Chan Leung was appointed as executive director and chief executive officer of the Company on 25 March 2019. Mr. Li Fat Chung was appointed as non-executive director of the Company on 25 March 2019. Mr. Mak Alexander, Ms. Chan Mei Wah and Mr. Wu Hak Ping were appointed as independent non-executive directors of the Company on 15 March 2021.

(a) Directors' remuneration

The emoluments paid or payable to the directors of the Company (including emoluments for services as employees/ directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are set out below:

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Executive directors:				
Mr. Yeung Wing Sun	—	1,020	17	1,037
Mr. Chan Leung	—	69	3	72
	—	1,089	20	1,109
Year ended 31 December 2017				
Executive directors:				
Mr. Yeung Wing Sun	—	960	18	978
Mr. Chan Leung	—	414	18	432
	—	1,374	36	1,410
Year ended 31 December 2018				
Executive directors:				
Mr. Yeung Wing Sun	—	960	18	978
Mr. Chan Leung	—	414	18	432
	—	1,374	36	1,410
Year ended 31 December 2019				
Executive directors:				
Mr. Yeung Wing Sun	—	1,200	18	1,218
Mr. Chan Leung	—	414	18	432
	—	1,614	36	1,650
Nine months ended 30 September 2019 (Unaudited)				
Executive directors:				
Mr. Yeung Wing Sun	—	900	14	914
Mr. Chan Leung	—	310	14	324
	—	1,210	28	1,238
Nine months ended 30 September 2020				
Executive directors:				
Mr. Yeung Wing Sun	—	900	14	914
Mr. Chan Leung	—	310	14	324
	—	1,210	28	1,238

The non-executive director did not receive any emolument in the capacity of a director during the Track Record Period.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 included one, two, two, two, two and two directors of the Company and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four, three, three, three, three and three individuals for each of the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 respectively are as follows:

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and other benefits	1,569	1,364	1,215	1,331	1,015	1,022
Contributions to retirement benefits scheme	66	53	53	54	41	41
	1,635	1,417	1,268	1,385	1,056	1,063

The emoluments paid to each of the above non-director highest paid individuals for each of the Track Record Period fell within the following bands:

	Year ended 31 December				Nine months ended 30 September	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	4	3	3	3	3	3

During the Track Record Period, no emoluments was paid by the Group to the directors of the Company or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Right-of-use assets *HK$'000*	Total *HK$'000*
Cost:						
At 1 January 2016	200	1,042	195	1,863	773	4,073
Additions	—	52	—	—	—	52
At 31 December 2016 and 1 January 2017	200	1,094	195	1,863	773	4,125
Additions	—	6	—	1,330	784	2,120
Expiration of lease contract	—	—	—	—	(773)	(773)
At 31 December 2017 and 1 January 2018	200	1,100	195	3,193	784	5,472
Additions	—	9	—	—	—	9
Written back on disposal	—	—	—	(1,863)	—	(1,863)
At 31 December 2018 and 1 January 2019	200	1,109	195	1,330	784	3,618
Additions	218	20	9	—	801	1,048
Written off	(200)	—	—	—	—	(200)
Expiration of lease contract	—	—	—	—	(784)	(784)
At 31 December 2019, 1 January 2020 and 30 September 2020	218	1,129	204	1,330	801	3,682
Additions	—	7	6	—	—	13
At 30 September 2020	218	1,136	210	1,330	801	3,695
Accumulated depreciation:						
At 1 January 2016	200	957	185	931	290	2,563
Provided for the year	—	58	5	466	387	916
At 31 December 2016 and 1 January 2017	200	1,015	190	1,397	677	3,479
Provided for the year	—	38	4	798	390	1,230
Expiration of lease contract	—	—	—	—	(773)	(773)
At 31 December 2017 and 1 January 2018	200	1,053	194	2,195	294	3,936
Provided for the year	—	34	1	332	392	759
Written back on disposal	—	—	—	(1,863)	—	(1,863)
At 31 December 2018 and 1 January 2019	200	1,087	195	664	686	2,832
Provided for the year	91	20	—	332	432	875
Written off	(200)	—	—	—	—	(200)
Expiration of lease contract	—	—	—	—	(784)	(784)
At 31 December 2019 and 1 January 2020	91	1,107	195	996	334	2,723
Provided for the period	82	7	2	249	301	641
At 30 September 2020	173	1,114	197	1,245	635	3,364

	Leasehold improvement *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Right-of-use assets *HK$'000*	Total *HK$'000*
Net carrying amount:						
At 31 December 2016	—	79	5	466	96	646
At 31 December 2017	—	47	1	998	490	1,536
At 31 December 2018	—	22	—	666	98	786
At 31 December 2019	127	22	9	334	467	959
At 30 September 2020	45	22	13	85	166	331

The right-of-use assets represent the leases on office premises in Hong Kong. Details of total cash flow for leases and maturity analysis of lease liabilities are disclosed in note 25.

16. TRADE RECEIVABLES

	As at 31 December				As at 30 September
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*
Trade receivables, gross	94,790	130,486	111,011	113,544	155,167
Less: Loss allowances recognised *(note 29(ii))*	(1,084)	(1,803)	(1,763)	(3,452)	(5,079)
	93,706	128,683	109,248	110,092	150,088

The credit terms of the trade receivables are ranged from 30 to 60 days from the date of invoice.

The ageing analysis of trade receivables, net of loss allowances at the end of each reporting period based on invoice date is as follows:

	As at 31 December				As at 30 September
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*
Within one month	22,645	57,060	56,698	21,349	92,659
One to three months	31,713	17,830	30,883	34,508	38,564
More than three months but within one year	39,292	19,477	12,777	38,669	13,755
More than one year	56	34,316	8,890	15,566	5,110
	93,706	128,683	109,248	110,092	150,088

Included in the Group's trade receivables balance as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 are debtors with aggregate carrying amounts of HK$70,952,000, HK$71,623,000, HK$39,403,000, HK$88,743,000 and HK$57,051,000, respectively, which are past due as at the reporting dates. Out of the past due balances, HK$36,682,000, HK$48,281,000, HK$20,333,000, HK$41,006,000 and HK$16,369,000 have been past due 90 days or more and are not considered as in default by considering the background of the debtors, subsequent settlement, historical payment arrangement and credit standing of these trade receivables. The Group does not hold any collateral over these balances.

As at 31 December 2019 and 30 September 2020, trade receivables of approximately HK$3,146,000 and HK$138,000, respectively were subject to assignment and charge arrangement, in which the proceeds from a specific contract with a customer is assigned to a bank to secure the bank loans of the Group (note 23).

17. CONTRACT ASSETS

The following table provides information about contract assets from contracts with customers:

	1 January 2016	31 December 2016	31 December 2017	31 December 2018	31 December 2019	30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	38,630	25,470	37,153	17,320	26,308	34,977
Less: Loss allowances recognised *(note 29(ii))*	—	(82)	(446)	(324)	(773)	(1,173)
	38,630	25,388	36,707	16,996	25,535	33,804

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provision of RMAA works. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The Group's contract assets are analysed as follows:

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unbilled revenue	1,130	3,923	—	—	—
Retention receivables	24,258	32,784	16,996	25,535	33,804
	25,388	36,707	16,996	25,535	33,804

Unbilled revenue represents the revenue not billed to the customers which the Group has completed the relevant RMAA works under such contracts but yet certified by authorised persons or external consultants appointed by the customers.

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project, 50% of which is normally recoverable upon the practical completion of respective projects and the remaining 50% is recoverable after the completion of defects liability period specified in the relevant contracts, normally one year from the date of completion of respective projects.

At 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, the amounts of contract assets that are expected to be recovered after one year are HK$17,398,000, HK$7,416,000, HK$5,121,000, HK$22,565,000 and HK$21,897,000 respectively, all of which relate to retention.

The changes in contract assets are due to (i) fluctuations in retention receivables in accordance with the number of ongoing and completed contracts under the defects liability period, (ii) reclassification to trade receivables when the Group has unconditional right to the consideration, or (iii) loss allowances recognised/reversed during the Track Record Period.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December				As at 30 September
	2016	**2017**	**2018**	**2019**	**2020**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Rental, utilities and sundry deposits	189	170	288	1,740	955
Other receivables	302	302	148	—	—
Tax reserve certificate *(note 11)*	—	—	—	1,320	1,320
Advances paid to subcontractors	2,751	3,720	1,314	2,554	825
Deferred listing expenses	—	—	—	3,780	4,675
Other prepayments	31	78	23	211	1,060
	3,273	4,270	1,773	9,605	8,835

None of the above deposits and other receivables is either past due or impaired.

19. AMOUNTS DUE FROM/TO A DIRECTOR

The amount due from a director of the Company is as follows:

	Balance at					
Director	**1 January 2016**	**31 December 2016 and 1 January 2017**	**31 December 2017 and 1 January 2018**	**31 December 2018 and 1 January 2019**	**31 December 2019 and 1 January 2020**	**30 September 2020**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Mr. Yeung Wing Sun	21,010	—	3,965	19,849	18,732	25,761

	Maximum amount outstanding during				
	the year ended 31 December				the nine months ended 30 September
Director	**2016**	**2017**	**2018**	**2019**	**2020**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Mr. Yeung Wing Sun	25,687	11,717	79,873	51,782	42,729

The amount due from a director is non-trade nature. The amount due is unsecured, interest-free and has no fixed terms of repayment. The outstanding amount as at 30 September 2020 will be settled before the listing of shares of the Company on the Stock Exchange.

There was no balance due for repayment but has not been paid and no impairment has been made against the amount due from a director.

The amount due to a director was non-trade in nature. The amount due was unsecured, interest-free and had no fixed terms of repayment.

20. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. TRADE PAYABLES

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	27,357	52,599	49,562	73,671	74,976

The credit term of the trade payables is 30 days from the date of invoice.

The ageing analysis of trade payables based on the invoice date as of the end of each reporting period is as follows:

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one month	18,266	24,525	22,496	22,920	56,668
One to three months	1,738	19,307	9,604	8,515	7,196
More than three months	7,353	8,767	17,462	42,236	11,112
	27,357	52,599	49,562	73,671	74,976

22. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Retention payables *(note a)*	16,100	16,683	6,447	14,614	18,651
Other payables and accruals	2,939	1,173	1,217	580	611
Accrued contract costs	47,772	61,754	58,686	31,427	46,285
Accrued listing expenses	—	—	—	7,751	9,989
Provision for claim *(note b)*	—	—	—	—	166
	66,811	79,610	66,350	54,372	75,702

Notes:

(a) Retention payables to sub-contractors of RMAA works are interest-free and payable by the Group after completion of the maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, normally one year from the completion date of the respective contracts.

At 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, the retention payables that are expected to be settled after one year are HK$9,293,000, HK$4,440,000, HK$610,000, HK$13,622,000 and HK$13,520,000 respectively.

(b) The provision for claim represents the amounts payable to an insurance company for settlement of a claim against the Group and relevant legal costs incurred by the insurance company in respect of this claim. The provision for claim was made by the management based on the available information.

23. BANK BORROWINGS

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans:					
Current					
Repayable within one year	—	—	4,490	2,000	9,463
Non-current					
Repayable after one year but not exceeding two years	—	—	—	—	1,887
Repayable after two years but not exceeding five years	—	—	—	—	1,450
	—	—	—	—	3,337
	—	—	4,490	2,000	12,800

The bank loans carried interest rates at floating rates of 4.625% as at 31 December 2018, and of 6% per annum as at 31 December 2019 and 30 September 2020, respectively. The bank loans are secured by personal guarantees executed by the Controlling Shareholder, Mr. Yeung Wing Sun, and his spouse, Ms. Yu So Yin, to the extent of HK$4,889,000, HK$7,879,000, and HK$15,000,000, as at 31 December 2018 and 2019 and 30 September 2020 respectively. As at 31 December 2019 and 30 September 2020, bank loans of HK$2,000,000 and HK$9,000,000 are also secured by a deed of assignment over the proceeds from a specific contract with a customer and trade receivables of approximately HK$3,146,000 and HK$138,000, respectively (note 16) of the Group were subject to the aforesaid assignment and charge arrangement. These personal guarantees will be released and replaced by corporate guarantee to be provided by the Company upon listing.

During the nine months ended 30 September 2020, the Group drew down a loan under the SME Financing Guarantee Scheme, which was guaranteed by Hong Kong Mortgage Corporation Insurance Limited and Mr. Yeung Wing Sun to the extent of HK$3,800,000 as at 30 September 2020. The bank loan carried at floating rates of 2.75% per annum as at 30 September 2020 and such bank loan will be repaid before listing.

24. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised and movement during the Track Record Period:

	(Accelerated)/ decelerated tax depreciation	Loss allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	—	—	—
(Charge)/credit to profit or loss *(note 11)*	(24)	192	168
At 31 December 2016 and 1 January 2017	(24)	192	168
(Charge)/credit to profit or loss *(note 11)*	(36)	179	143
At 31 December 2017 and 1 January 2018	(60)	371	311
Charge to profit or loss *(note 11)*	(32)	(26)	(58)
Effect of a change in tax rate *(note 11)*	1	(7)	(6)

	(Accelerated)/ decelerated tax depreciation	Loss allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2018 and 1 January 2019	(91)	338	247
Credit to profit or loss *(note 11)*	55	346	401
At 31 December 2019 and 1 January 2020	(36)	684	648
Credit to profit or loss *(note 11)*	51	326	377
At 30 September 2020	15	1,010	1,025

As at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, the Group had estimated unused tax losses of Nil, HK$4,000, HK$4,000, HK$4,000 and HK$4,000 available for offset against future profits respectively. The estimated unused tax losses arising in Hong Kong available may be carried forward indefinitely for offsetting against future taxable profit of a Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. LEASE LIABILITIES

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Minimum lease payments due:					
Within one year	102	416	103	432	180
More than one year but less than two years	—	103	—	72	—
	102	519	103	504	180
Less: Total future interest expenses	(1)	(19)	(1)	(16)	(2)
	101	500	102	488	178
Present value of lease liabilities:					
Within one year	101	398	102	416	178
More than one year but less than two years	—	102	—	72	—
	101	500	102	488	178

The total cash outflows for leases including the payments of lease liabilities for the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 was HK$410,000, HK$414,000, HK$416,000, HK$427,000, HK$341,000 and HK$324,000.

26. SHARE CAPITAL AND RESERVES

(a) Share Capital

	Number of ordinary shares	Share capital HK$'000
Authorised		
Ordinary shares of HK$0.01 each		
At 13 March 2019 (date of incorporation), 31 December 2019, 1 January 2020 and 30 September 2020	38,000,000	380
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At 13 March 2019 (date of incorporation)	1	—*
Issue of shares arising from the Reorganisation	99	—*
At 31 December 2019, 1 January 2020 and 30 September 2020	100	—*

* *Less than HK$1,000*

The Company was incorporated in the Cayman Islands on 13 March 2019 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share. One share was allotted and issued to the nominee subscriber, which was subsequently transferred to Harvest Land Company Limited ("**Harvest Land**"), the immediate and ultimate holding company of the Company at a consideration of HK$0.01 on the same date.

On 22 March 2019, as part of the Reorganisation, the Company acquired the entire shares of Keybase Assets from the Controlling Shareholder for the consideration satisfied by the allotment and issue of a total of 99 shares of the Company, credited as fully paid, to Harvest Land at the direction of the Controlling Shareholder.

There was no issued capital shown in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 since the Company has not yet been incorporated by that time.

(b) Reserves

Group

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity.

Company

	Retained earnings HK$'000
At 13 March 2019 (date of incorporation)	—
Profit and total comprehensive income for the period	24,000
Dividend *(note 12)*	(24,000)
At 31 December 2019 and 1 January 2020	—
Profit and total comprehensive income for the period	15,000
Dividend *(note 12)*	(15,000)
At 30 September 2020	—

The natures and purposes of reserves within equity are as follows:

Merger reserve

The merger reserve represents the paid-up share capital of a subsidiary attributable to the Controlling Shareholder prior to the Reorganisation.

Retained earnings

The retained earnings represent cumulative net gains and losses recognised in profit or loss.

27. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Significant non-cash transactions

During the year ended 31 December 2017 and 2018, the dividends declared of HK$4,200,000 and HK$60,000,000 to Keybase Assets were settled through the current account with a director.

During the period from 13 March 2019 to 31 December 2019 and the nine months ended 30 September 2020, the dividend declared of HK$24,000,000 and HK$15,000,000 respectively to the shareholder of the Company were settled through the current account with a director.

During the year ended 31 December 2017, the acquisition of motor vehicle of HK$1,202,000 were paid by a director.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities:

	Dividend payables *(note 12)* *HK$'000*	**Amount due to a director** *(note 19)* *HK$'000*	**Lease liabilities** *(note 25)* *HK$'000*	**Bank borrowings** *(note 23)* *HK$'000*	**Total** *HK$'000*
At 1 January 2016	—	—	494	—	494
Changes from financing cash flows	—	2,378	(410)	—	1,968
Other changes:					
Interest expense	—	—	17	—	17
At 31 December 2016 and 1 January 2017	—	2,378	101	—	2,479
Changes from financing cash flows	—	(2,378)	(414)	—	(2,792)
Other changes:					
Interest expense	—	—	29	—	29
Dividend declared	4,200	—	—	—	4,200
Settled through current account with a director	(4,200)	—	—	—	(4,200)
Capitalisation of a new lease	—	—	784	—	784

	Dividend payables (note 12) HK$'000	Amount due to a director (note 19) HK$'000	Lease liabilities (note 25) HK$'000	Bank borrowings (note 23) HK$'000	Total HK$'000
At 31 December 2017 and 1 January 2018	—	—	500	—	500
Changes from financing cash flows	—	—	(416)	4,471	4,055
Other changes:					
Interest expense	—	—	18	19	37
Dividend declared	60,000	—	—	—	60,000
Settled through current account with a director	(60,000)	—	—	—	(60,000)
At 31 December 2018 and 1 January 2019	—	—	102	4,490	4,592
Changes from financing cash flows	—	—	(427)	(2,614)	(3,041)
Other changes:					
Interest expense	—	—	33	124	157
Dividend declared	24,000	—	—	—	24,000
Settled through current account with a director	(24,000)	—	—	—	(24,000)
Capitalisation of a new lease	—	—	780	—	780
At 31 December 2019 and 1 January 2020	—	—	488	2,000	2,488
Changes from financing cash flows	—	—	(324)	10,699	10,375
Other changes:					
Interest expense	—	—	14	101	115
Dividend declared	15,000	—	—	—	15,000
Settled through current account with a director	(15,000)	—	—	—	(15,000)
At 30 September 2020	—	—	178	12,800	12,978

28. EMPLOYEE RETIREMENT BENEFITS

The employees of the Company's subsidiaries in Hong Kong participate in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees joining the Group are required to join the MPF Scheme.

Under the current rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

At 31 December 2016, 2017, 2018 and 2019 and 30 September 2020, there were no forfeited contributions available to offset future employers' contributions to the schemes.

29. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, contract assets, deposits and other receivables, amount due from/to a director, cash and bank balances, trade payables, other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank balances (note 20) and bank borrowings (note 23).

The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on Hong Kong Dollar Prime Lending Rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year/period. A 100 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The bank balances are excluded from the sensitivity analysis as the management of the Group considers the fluctuation in interest rates is insignificant.

If the interest rates had been 100 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's profit for the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2020 would decrease/increase by Nil, Nil, approximately HK$37,000, HK$17,000 and HK$80,000 respectively.

The directors of the Company considered a reasonable change in interest rates in the next twelve months would not have any significant impact to the Group's profit for the year/period and retained earnings.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover the overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 on trade receivables from the Group's top five customers accounted for 82%, 58%, 61%, 69% and 90% of the Group's total trade receivables.

The Group assessed the loss allowance for deposits, other receivables and amount due from a director on 12-month ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

The credit risks on bank balances are limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit rating assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables/ contract assets**	**Other financial assets**
Performing	The counterparty has a low risk of default and does not have any past-due amounts or the debtor frequently repays after due dates	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

For trade receivables and contract assets, the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determined ECL on these items by using a provision matrix, estimated based on the internal credit rating financial quality of the debtors, historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the reporting date.

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group assesses applied internal credit rating for its customers. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2016, 2017, 2018 and 2019 and 30 September 2020 within lifetime ECL (not credit impaired).

		Gross carrying amount	
Internal credit rating	**Average expected loss rates**	**Trade receivables**	**Contract assets**
		HK$'000	*HK$'000*
As at 31 December 2016			
Performing	0.0049%	37,375	21,157
Doubtful	1.8844%	57,415	4,313
		94,790	25,470
As at 31 December 2017			
Performing	0.0049%	34,873	13,562
Doubtful	1.8844%	95,613	23,591
		130,486	37,153

Internal credit rating	Average expected loss rates	Gross carrying amount Trade receivables	Contract assets
		HK$'000	*HK$'000*
As at 31 December 2018			
Performing	0.0049%	17,477	152
Doubtful	1.8844%	93,534	17,168
		111,011	17,320
As at 31 December 2019			
Performing	0.0085%	4,457	388
Doubtful	3.1288%	109,087	25,920
		113,544	26,308
As at 30 September 2020			
Performing	0.0103%	5,926	281
Doubtful	3.3983%	149,241	34,696
		155,167	34,977

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors by reference to a study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of this industry in which the debtors operate) that is available without due costs or efforts. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

In preparing the provision matrix, the management has considered the probability of default ("**PD**") and loss given default ("**LGD**"), which are the key factors in determining the expected loss rates. PD represents the likelihood of a counter-party default during a particular period of time; and LGD represents the percentage of contractual claims that would be lost if the counter-party defaults. During the Track Record Period, neither history of default nor significant change in customer base is noted. In addition, the management did not aware that any of its debtors is experiencing financial or operating difficulties. The management considered that there is no material difference in PD and LGD during the Track Record Period, and hence the changes in expected loss rates applied are not significant.

The Group recognised loss allowances on trade receivable of HK$1,084,000, HK$719,000, HK$1,689,000 and HK$1,627,000 during the years ended 31 December 2016, 2017 and 2019 and the nine months ended 30 September 2020 respectively and reversed loss allowances of HK$40,000 during the year ended 31 December 2018. The Group recognised loss allowances on contract assets of HK$82,000, HK$364,000, HK$449,000 and HK$400,000 during the years ended 31 December 2016, 2017 and 2019 and the nine months ended 30 September 2020 respectively and reversed loss allowances of HK$122,000 during the year ended 31 December 2018.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach during the Track Record Period.

	Lifetime ECL (not credit impaired)		
	Trade receivables	**Contract assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	—	—	—
Loss allowances recognised	1,084	82	1,166
At 31 December 2016 and 1 January 2017	1,084	82	1,166
Loss allowances recognised	719	364	1,083
At 31 December 2017 and 1 January 2018	1,803	446	2,249
Loss allowances reversed	(40)	(122)	(162)
At 31 December 2018 and 1 January 2019	1,763	324	2,087
Loss allowances recognised	1,689	449	2,138
At 31 December 2019 and 1 January 2020	3,452	773	4,225
Loss allowances recognised	1,627	400	2,027
At 30 September 2020	5,079	1,173	6,252

The Group writes off a trade receivable or a contract asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the Track Record Period, none of the trade receivables and contract assets had been written off.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors believe that the Group will have sufficient working capital for its future operational requirement.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount	**Total contractual undiscounted cash flows**	**Within one year or on demand**	**More than one year but less than three years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016				
Trade payables	27,357	27,357	27,357	—
Other payables	19,039	19,039	19,039	—
Amount due to a director	2,378	2,378	2,378	—
Lease liabilities	101	102	102	—
	48,875	48,876	48,876	—

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than one year but less than three years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2017				
Trade payables	52,599	52,599	52,599	—
Other payables	17,856	17,856	17,856	—
Lease liabilities	500	519	416	103
	70,955	70,974	70,871	103
31 December 2018				
Trade payables	49,562	49,562	49,562	—
Other payables	7,664	7,664	7,664	—
Lease liabilities	102	103	103	—
Bank borrowing	4,490	4,594	4,594	—
	61,818	61,923	61,923	—
31 December 2019				
Trade payables	73,671	73,671	73,671	—
Other payables	15,194	15,194	15,194	—
Lease liabilities	488	504	432	72
Bank borrowing	2,000	2,000	2,000	—
	91,353	91,369	91,297	72
30 September 2020				
Trade payables	74,976	74,976	74,976	—
Other payables	19,055	19,055	19,055	—
Lease liabilities	178	180	180	—
Bank borrowings	12,800	12,988	9,567	3,421
	107,009	107,199	103,778	3,421

(iv) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the end of each reporting period are as follows:

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost:					
Trade receivables	94,790	130,486	111,011	113,544	155,167
Deposits and other receivables	491	472	436	3,060	2,275
Amount due from a director	—	3,965	19,849	18,732	25,761
Cash and bank balances	2,638	1,238	2,139	9,882	4,186
	97,919	136,161	133,435	145,218	187,389

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities at amortised cost:					
Trade payables	27,357	52,599	49,562	73,671	74,976
Other payables	19,039	17,856	7,664	15,194	19,055
Amount due to a director	2,378	—	—	—	—
Lease liabilities	101	500	102	488	178
Bank borrowings	—	—	4,490	2,000	12,800
	48,875	70,955	61,818	91,353	107,009

(v) Fair value risk

The directors considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values at the end of each reporting period.

(vi) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 23, net of cash and bank balances and equity attribute to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group also had the following related party transactions during the Track Record Period:

(a) Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 14(a) to the Historical Financial Information, is as follows:

	Year ended 31 December				Nine months ended 30 September	
	2016	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and other benefits	2,363	2,792	2,783	3,072	2,304	2,306
Contributions to retirement benefits scheme	79	100	102	105	79	79
	2,442	2,892	2,885	3,177	2,383	2,385

(b) Transactions with related parties

During the Track Record Period, the Group entered into the following transactions with its related parties:

Related parties	Nature	Year ended 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	Nine months ended 30 September 2019 HK$'000 (Unaudited)	2020 HK$'000
Yso Engineering (Building) Company Limited *(note)*	Technical consultancy fee paid	300	—	—	—	—	—
A director's spouse	Salaries, allowances and other benefits	—	—	—	480	360	360
	Contribution to retirement benefits scheme	—	—	—	18	14	14
		—	—	—	498	374	374

Note: Mr. Chan Leung, being the director of the Company, is a director and shareholder of this company.

31. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December 2019 HK$'000	As at 30 September 2020 HK$'000
Unlisted investment, at cost	—	—

Particulars of the directly and indirectly held subsidiaries of the Company are set out in note 1(b) of this report.

32. CONTINGENT LIABILITIES

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 of the Group's subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are substantially covered by insurance and would not result in material adverse impact on the financial position or results and operations of the Group.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	As at 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	As at 30 September 2020 HK$'000
Performance bonds for guarantee of completion of projects issued by an insurance company	—	—	—	4,450	2,163

III. SUBSEQUENT EVENTS

Subsequent to 30 September 2020 and up to the date of this report, the following significant events have taken place:

(a) Since the first case of the Novel Coronavirus, or known as the COVID-19, has been confirmed in Hong Kong, the directors of the Company have closely monitored the development of the outbreak of COVID-19 and kept regular communications with its customers and subcontractors to understand whether there would be any significant impacts on the status or progress of the Group's ongoing projects and availability of subcontractors in the local market.

Based on the currently available information, the directors of the Company consider that the COVID-19 event would not have a material financial impact to the Group. However, given the inherent unpredictable nature and rapid development relating to COVID-19, the Group's business might be affected should the situations in Hong Kong deteriorates and the directors of the Company will continue to closely monitor in this regard.

(b) On 15 March 2021, written resolutions of the sole shareholder of the Company was passed to approve the matters set out in the paragraph headed "5. Written resolutions of our sole Shareholder passed on 15 March 2021" in Appendix V to the Prospectus. It was resolved, among other things:

(i) the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of additional 9,962,000,000 shares, all of which shall rank equally in all respects with the existing shares;

(ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the Share Option Scheme are summarised in the paragraph head "D. Share Option Scheme" in Appendix V to the Prospectus; and

(iii) conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Directors of the Company were authorised to capitalise the amount of HK$7,499,999 from the amount standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 749,999,900 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 15 March 2021.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 30 September 2020.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the Share Offer on our net tangible assets as at 30 September 2020 as if it had taken place on 30 September 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 30 September 2020 or any future date following the Share Offer. It is prepared based on our net assets as at 30 September 2020 as set out in the Accountants' Report, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group as at 30 September 2020 as shown in the Accountants' Report, and adjusted as follows:

	Consolidated net tangible assets of the Group as at 30 September 2020	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.50 per Share	45,034	95,946	140,980	0.14
Based on the Offer Price of HK$0.56 per Share	45,034	108,546	153,580	0.15

Notes:

(1) The consolidated net tangible assets of the Group as at 30 September 2020 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 250,000,000 Shares at the Offer Price of HK$0.50 and HK$0.56 per Share, after deduction of the underwriting fees and other related expenses to be incurred by the Group. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated based on 1,000,000,000 Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Unity Enterprise Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Unity Enterprise Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group as at 30 September 2020, and related notes as set out on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 19 March 2021 (the "**Prospectus**") in connection with the proposed placing and public offer of the shares of the Company (the "**Share Offer**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group's consolidated financial position as at 30 September 2020 as if the Share Offer had taken place at 30 September 2020. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's financial information for the years ended 31 December 2016, 2017, 2018 and 2019 and the nine months ended 30 September 2020, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong, 19 March 2021

*The following is the preliminary financial information of our Group as of and for the year ended 31 December 2020 (the "**2020 Preliminary Financial Information**"), together with comparative financial information as of and for the year ended 31 December 2019 and a discussion of changes in our financial condition and results of operations between the two periods. The 2020 Preliminary Financial Information does not constitute the consolidated financial statements of the Group for the year ended 31 December 2020 but is extracted from those financial statements. The 2020 Preliminary Financial Information was not audited. Investors should bear in mind that the 2020 Preliminary Financial Information in this appendix may be subject to adjustments.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2019	**2020**
	Notes	*HK$'000*	*HK$'000*
			(unaudited)
Revenue	*4*	334,249	314,214
Cost of services		(271,339)	(255,550)
Gross profit		62,910	58,664
Other income	*5*	—	1,168
Administrative expenses		(9,029)	(6,513)
Loss allowances on trade receivables and contract assets		(2,138)	(2,009)
Listing expenses		(13,599)	(4,593)
Finance costs	*6*	(157)	(249)
Profit before income tax	*7*	37,987	46,468
Income tax expense	*8*	(8,343)	(8,731)
Profit and total comprehensive income for the year		29,644	37,737

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	**2020**
	Notes	*HK$'000*	*HK$'000*
			(unaudited)
Non-current assets			
Property, plant and equipment		959	130
Deferred tax assets		648	648
Total non-current assets		1,607	778
Current assets			
Trade receivables	*11*	110,092	152,073
Contract assets		25,535	33,585
Deposits, prepayments and other receivables		9,605	8,700
Amount due from a director		18,732	28,899
Tax recoverable		—	600
Cash and bank balances		9,882	15,604
Total current assets		173,846	239,461
Current liabilities			
Trade payables	*12*	73,671	108,859
Accrued liabilities and other payables		54,372	47,653
Lease liabilities		416	72
Tax payable		13,544	18,207
Bank borrowings		2,000	8,463
Total current liabilities		144,003	183,254
Net current assets		29,843	56,207
Total assets less current liabilities		31,450	56,985
Non-current liabilities			
Lease liabilities		72	—
Bank borrowings		—	2,870
Total non-current liabilities		72	2,870
Net assets		31,378	54,115
Equity attributable to owners of the Company			
Share capital		—	—
Reserves		31,378	54,115
Total equity		31,378	54,115

NOTES TO THE 2020 PRELIMINARY FINANCIAL INFORMATION

1.1 BASIS OF PRESENTATION

Pursuant to a group reorganisation carried out by the Group in preparation for the proposed listing of shares of the Company on the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group on 22 March 2019.

Immediately prior to and after the Reorganisation, the Group's business was carried out by HDC and HDE which were under control of and beneficially owned by Mr. Yeung Wing Sun, the ultimate controlling shareholder of the Group (the "**Controlling Shareholder**"). Pursuant to the Reorganisation, HDC and HDE are under the effective control of Keybase Assets, and ultimately the Company and the Controlling Shareholder. Accordingly, for the purpose of this report, the 2020 Preliminary Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the reporting period.

The Company has not been involved in any other business prior to the Reorganisation and its operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the listing business and does not result in any changes in business substance, nor in any management or controlling shareholders of the listing business, before and after the Reorganisation. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying value of the listing business for all periods present.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group as if the current group structure had been in existence throughout the reporting period. The consolidated statement of financial position of the Group as at 31 December 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation has been in existence at those dates taking into account the respective dates of incorporation, where applicable. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

1.2 BASIS OF PREPARATION

The 2020 Preliminary Financial Information has been prepared in accordance with the accounting policies set out in note 4 in "Appendix I — Accountants' Report" which conforms with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes Hong Kong Accounting Standards ("**HKASs**") and related interpretations, promulgated by the HKICPA. In addition, the 2020 Preliminary Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 2020 Preliminary Financial Information is presented in HK$. Items included in the financial information of each entity within the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**"). The functional currency of the Company is HK$. The companies comprising the Group are operating in Hong Kong and their functional currencies are HK$. HK$ is used as the presentation currency of the Group.

The 2020 Preliminary Financial Information has been prepared on the historical cost basis.

2. ADOPTION OF HKFRSs

For the purpose of preparing and presenting the 2020 Preliminary Financial Information, the Group has consistently applied the new and revised HKFRSs, HKASs, amendments and interpretations issued by the HKICPA, which are effective during the year ended 31 December 2020.

At the date of this report, the Group has not early adopted the following new or revised HKFRSs, that have been issued but not yet effective.

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19 Related Rent Concession[5]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but is available for early adoption
5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the adoption of the above new and amendments to HKFRSs will have no material impact on the financial statements of the Group in the future.

3. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

Information about major customers

During the year, revenue from major customers who contributed over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Customer C *(note)*	37,465	N/A
Customer E	40,512	38,592
Customer J *(note)*	47,386	N/A
Customer K *(note)*	80,879	N/A
Customer U	71,013	130,503
Customer W *(note)*	N/A	57,309

Note: The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective year.

4. REVENUE

Revenue represents the fair value of amounts received and receivable for the provision of RMAA works provided by the Group to customers.

Disaggregation of revenue

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Type of contract nature		
Project-based		
— Subcontractor	292,325	266,476
— Main contractor	5,274	16,881
Term-contract based	36,650	30,857
	334,249	314,214
Type of developments		
Residential	183,156	179,866
Commercial and industrial	151,093	134,348
	334,249	314,214

Revenue from contract with customers arose from provision of RMAA works rendered in Hong Kong under long-term contracts and was recognised over time during the year ended 31 December 2019 and 2020. All the Group's provision of RMAA works is made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Provision of RMAA works		
Expected to be recognised within one year	170,671	244,295
Expected to be recognised after one year	180,821	61,617
	351,492	305,912

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of RMAA works as at 31 December 2019 and 2020 has been/will be recognised as revenue in the subsequent 3 months to 34 months.

5. OTHER INCOME

The Group's other income recognised are as follows:

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Government subsidies	—	1,168

The government subsidies mainly related to wage subsidies from the Government of Hong Kong Special Administrative Region under the Employment Support Scheme ("**ESS**"). Under the terms of the ESS, the Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.

6. FINANCE COSTS

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Interest on bank borrowings	124	233
Interest on lease liabilities	33	16
	157	249

7. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Employee benefit expenses (including directors' remuneration):		
— Salaries, allowances and other benefits	7,055	6,988
— Contributions to retirement benefits schemes	275	270
Total employee benefit expenses	7,330	7,258
Auditor's remuneration	100	700
Depreciation of property, plant and equipment	875	856

The employee benefit expenses included in cost of services were HK$4,059,000 and HK$4,175,000 for the years ended 31 December 2019 and 2020 respectively.

8. INCOME TAX EXPENSE

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

Under the two-tiered profits tax rates regime, Hong Kong Profits Tax of a qualified entity in the Group was provided at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the years ended 31 December 2019 and 2020. The profits of the other Hong Kong subsidiary will continue to be taxed at a flat rate of 16.5%.

During the year ended 31 December 2019, the Hong Kong Inland Revenue Department ("**IRD**") has issued an enquiry letter to HDC requesting for breakdowns and details of cost of construction work executed by HDC for the year of assessment 2012/13. An additional assessment was issued by IRD demanding additional profits tax of HK$1,320,000 for the year of assessment 2012/13.

The Group has filed an objection to IRD in respect of the aforesaid additional assessment. A tax reserve certificate of HK$1,320,000 for condition hold-over order of objection against the additional assessment was purchased by the Group.

During the year ended 31 December 2020, the IRD issued an additional assessment demanding additional profits tax of HK$1,320,000 for the year of assessment 2013/14. The Group filed an objection to IRD in respect of the aforesaid assessment and an unconditional holdover of an amount of HK$720,000 was granted by IRD on 27 March 2020.

In February 2021, the IRD issued additional assessments demanding additional profits tax of HK$1,650,000 for the year of assessment 2014/15 to HDC and HK$165,000 for the year of assessment 2014/15 to HDE. The Group filed objections to the IRD in respect of the aforesaid assessments on 17 February 2021 and 24 February 2021 for HDC and HDE, respectively. In relation to HDE, an unconditional holdover of an amount of HK$165,000 was granted by the IRD on 12 March 2021. In relation to HDC, based on the letter issued by the IRD on 12 March 2021, the objection is still being considered by the IRD and the Group will purchase a tax reserve certificate on HK$1,650,000 by March 2021.

Having taken the opinion of tax advisers and based on the information available to the Group, the directors of the Company are of the view that HDC and HDE have sufficient grounds to substantiate the deduction claims for cost of construction work executed for the years of assessment 2012/13, 2013/14 and 2014/15. Accordingly, no provision in respect of these additional assessments has been made in the consolidated financial statements.

	Year ended 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Current tax — Hong Kong Profits Tax		
— Charge for the year	8,744	8,731
Deferred tax		
— Credit for the year	(401)	—
	8,343	8,731

9. DIVIDENDS

During the period from 13 March 2019 to 31 December 2019 and the year ended 31 December 2020, the Company declared interim dividends of HK$240,000 per ordinary shares and HK$150,000 per ordinary share amounting to HK$24,000,000 and HK$15,000,000 respectively to its shareholder which were settled through the current account due from a director.

Other than the above, no dividend has been paid or declared by other companies comprising the Group for the year ended 31 December 2020.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the years ended 31 December 2019 and 2020.

11. TRADE RECEIVABLES

	As at 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Trade receivables, gross	113,544	157,108
Less: Loss allowances recognised	(3,452)	(5,035)
	110,092	152,073

The credit terms of the trade receivables are ranged from 30 to 60 days from the date of invoice.

The ageing analysis of trade receivables, net of loss allowances at the end of each reporting period based on invoice date is as follows:

	As at 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Within one month	21,349	28,307
One to three months	34,508	68,893
More than three months but within one year	38,669	50,246
More than one year	15,566	4,627
	110,092	152,073

As at 31 December 2019 and 2020, trade receivables of approximately HK$3,146,000 and HK$7,270,000, respectively were subject to assignment and charge arrangement, in which the proceeds from a specific contract with a customer is assigned to a bank to secure the bank loans of the Group.

12. TRADE PAYABLES

	As at 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Trade payables	73,671	108,859

The credit term of the trade payables is 30 days from the date of invoice.

The ageing analysis of trade payables based on the invoice date as of the end of each reporting period is as follows:

	As at 31 December	
	2019	**2020**
	HK$'000	*HK$'000*
		(Unaudited)
Within one month	22,920	26,334
One to three months	8,515	55,446
More than three months	42,236	27,079
	73,671	108,859

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

Business review and outlook

We are a contractor specialising in RMAA works in Hong Kong. We undertook repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and we also provided additional ancillary services, such as alteration and addition works of building layout and structural works, design of new structural works and checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

Our revenue decreased from approximately HK$334.2 million for the year ended 31 December 2019 ("**FY2019**") to approximately HK$314.2 million for the year ended 31 December 2020 ("**FY2020**"), representing a decrease of approximately HK$20.0 million or 6.0%. The decrease in our revenue was mainly due to the outbreak of COVID-19 in Hong Kong leading to the slowing down of the progress of our projects on hand during FY2020 and the delay of the commencement of a project. Our gross profit also decreased from approximately HK$62.9 million for FY2019 to approximately HK$58.7 million for FY2020, representing a decrease of approximately HK$4.2 million or 6.7%. The decrease in our gross profit was primarily attributable to the decrease in revenue. On the other hand, our profit and total comprehensive income for the year increased from approximately HK$29.6 million for FY2019 to approximately HK$37.7 million for FY2020, representing an increase of approximately HK$8.1 million or 27.3%. Such increase was mainly due to the decrease in our non-recurring listing expenses and administrative expenses.

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the RMAA industry. We intend to achieve our business objective by (i) upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system for some of our projects; (ii) further strengthening our financial position for the purpose of securing additional and larger-scale RMAA projects; and (iii) further strengthening our manpower to cope with our business development.

The outbreak of the COVID-19 in Hong Kong since January 2020 had slowed down of the progress of our projects on hand during FY2020. According to the latest discussions between our major customers and us, we do not expect that the outbreak of COVID-19 will materially affect the progress of our ongoing projects based on the latest market conditions. In addition, there had been no material impact to our Group on labour or material supply as a result of outbreak of COVID-19. Moreover, our Group has implemented certain preventive measures in our construction sites. Please refer to the paragraph headed "Business — Occupational health and safety — Hygienic working environment" in this prospectus for details of the precautionary measures taken by our Group in view of the outbreak of COVID-19 in Hong Kong. We will closely monitor the development of the epidemic and our Directors consider that our Group was generally able to discharge our obligations under the existing contracts.

To the best of our Directors' knowledge, save for the expenses in connection with the Listing, there has been no material adverse change in our financial or trading position or prospects since 31 December 2020 up to the Latest Practicable Date.

Analysis of key items of results of operations

Revenue

Our revenue decreased from approximately HK$334.2 million for FY2019 to approximately HK$314.2 million for FY2020, representing a decrease of approximately HK$20.0 million or 6.0%. Such decrease in our revenue was mainly driven by:

(i) the outbreak of COVID-19 in Hong Kong since January 2020. Our Group has implemented certain preventive measures in our construction sites which our Directors consider that such measures reduced the efficiency of our workers and subcontractors and led to the slowing down of the progress of our projects on hand during FY2020. In addition, due to the outbreak of COVID-19, one of our customers decided to postpone the commencement date of a project with total contract sum of approximately HK$89.0 million from February 2020 to October 2020; and

(ii) relatively lower revenue contribution for two of our existing projects which completed during FY2020, namely, (a) a residential development project with total contract sum over HK$100 million completed in September 2020, which contributed approximately HK$17.1 million to our revenue during FY2020 (FY2019: approximately HK$80.9 million), and (b) a commercial and industrial development project with total contract sum of approximately HK$47.8 million completed in January 2020, which contributed approximately HK$0.2 million to our revenue during FY2020 (FY2019: approximately HK$37.1 million).

Such decrease in revenue during FY2020 was partially offset by the increase in revenue contribution for certain projects undertook or commenced during FY2020, namely, (a) a residential development project with total contract sum over HK$200 million, which contributed approximately HK$130.5 million to our revenue during FY2020 (FY2019: approximately HK$71.0 million); and (b) a commercial and industrial project with total contract sum of approximately HK$56.7 million, which contributed approximately HK$28.1 million to our revenue during FY2020 (FY2019: nil).

Cost of services

Our cost of services decreased from approximately HK$271.3 million for FY2019 to approximately HK$255.6 million for FY2020, representing a decrease of approximately HK$15.8 million or 5.8%. Our cost of services includes subcontracting fees, direct labour costs, material costs and other direct costs.

The decrease in our cost of services was mainly attributable to the decrease in our subcontracting fees from approximately HK$266.8 million for FY2019 to approximately HK$246.8 million, representing a decrease of approximately HK$20.0 million or 7.5%. Such decrease was mainly due to the decrease in amount of works outsourced to subcontractors for carrying out site works as illustrated by the decrease in our revenue as discussed above.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK$62.9 million for FY2019 to approximately HK$58.7 million for FY2020, representing a decrease of approximately HK$4.2 million or 6.7%. The decrease in gross profit was primarily attributable to the decrease in revenue as discussed above.

Our gross profit margin remained relatively stable at approximately 18.8% and 18.7% for FY2019 and FY2020, respectively.

Other income

Our other income increased from nil for FY2019 to approximately HK$1.2 million for FY2020, which was mainly contributed by the government subsidiaries received by our Group due to the outbreak of COVID-19, including the anti-epidemic fund received from the Government under the Employment Support Scheme and from the Construction Industry Council.

Administrative expenses

Our administrative expenses decreased from approximately HK$9.0 million for FY2019 to approximately HK$6.5 million for FY2020, representing a decrease of approximately HK$2.5 million or 27.9%. Such decrease was mainly attributable to the decrease in legal and professional fee of approximately HK$2.5 million.

Finance costs

Our finance costs remained relatively stable at HK$0.2 million for FY2019 and FY2020.

Income tax expense

Our income tax expenses slightly increased from approximately HK$8.3 million for FY2019 to approximately HK$8.7 million for FY2020, representing an increase of approximately HK$0.4 million or 4.7%. The increase was primarily attributable to the increase in our profit before tax as a result of all of the aforesaid for FY2020.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased from approximately HK$29.6 million for FY2019 to approximately HK$37.7 million for FY2020, representing an increase of approximately HK$8.1 million or 27.3%. Such increase was mainly due to the decrease in our non-recurring listing expenses of approximately HK$9.0 million and the decrease in our administrative expenses of approximately HK$2.5 million, which was partially offset by the slight decrease in our revenue and gross profit for FY2020.

Analysis of key items of financial position

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 2019	As at 31 December 2020
	HK$'000	*HK$'000*
		(Unaudited)
Current assets		
Trade receivables	110,092	152,073
Contract assets	25,535	33,585
Deposits, prepayments and other receivables	9,605	8,700
Amount due from a director	18,732	28,899
Tax recoverable	—	600
Cash and bank balances	9,882	15,604
	173,846	239,461
Current liabilities		
Trade payables	73,671	108,859
Accrued liabilities and other payables	54,372	47,653
Lease liabilities	416	72
Tax payables	13,544	18,207
Bank borrowings	2,000	8,463
	144,003	183,254
Net current assets	29,843	56,207

Our net current assets increased from approximately HK$29.8 million as at 31 December 2019 to approximately HK$56.2 million as at 31 December 2020. Such increase was primarily attributable to the increase in our current assets of approximately HK$65.6 million or 37.7%, in particular, the increase in our trade receivables, as a result of our profitable operation in FY2020.

Trade receivables

Our trade receivables increased from approximately HK$110.1 million as at 31 December 2019 to approximately HK$152.1 million as at 31 December 2020. Such increase was mainly because (i) our customers normally required us to rectify certain minor construction defects to their satisfaction before they settled our trade receivables, even we have completed our relevant RMAA works and such work done have been certified by our customers; and (ii) different settlement practices of different customers, which leading to the outstanding balance from our customers of certain projects, including (a) a residential development project with total contract sum over HK$200 million, where the outstanding balance of such project amounted to approximately HK$73.9 million as at 31 December 2020, and (b) a commercial and industrial project with total contract sum of approximately HK$56.7 million, where the outstanding balance of such project amounted to approximately HK$19.0 million.

Contract assets

Our contract assets increased from approximately HK$25.5 million as at 31 December 2019 to approximately HK$33.6 million as at 31 December 2020. Such increase was due to the fluctuation in retention receivables in accordance with our projects progress as at the respective financial year end date.

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables decreased from approximately HK$9.6 million as at 31 December 2019 to approximately HK$8.7 million as at 31 December 2020. Such decrease was mainly due to the decrease in advances paid to subcontractors of approximately HK$2.5 million.

Trade payables

Our trade payables increased from approximately HK$73.7 million as at 31 December 2019 to approximately HK$108.9 million as at 31 December 2020. Such increase was due to our business growth and different amounts of work performed and billed by our subcontractors or different amounts of materials purchased from our material suppliers as at the respective financial year end date.

Accrued liabilities and other payables

Our accrued liabilities and other payables decreased from approximately HK$54.4 million as at 31 December 2019 to approximately HK$47.7 million as at 31 December 2020. Such decrease was mainly due to the decrease in accrued contract costs of approximately HK$6.6 million. The accrued contract costs represent some of our work performed close to the financial year end and such work were not yet certified to our subcontractors as at the year end.

Indebtedness

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

	As at 31 December 2019 *HK$'000*	As at 31 December 2020 *HK$'000* (Unaudited)
Current liabilities		
Bank loans repayable within one year	2,000	8,463
Lease liabilities	416	72
	2,416	8,535
Non-current liabilities		
Bank loans repayable after one year	—	2,870
Lease liabilities	72	—
	72	2,870
	2,488	11,405

Key financial ratios

	FY2019 or as at 31 December 2019	FY2020 or as at 31 December 2020 (Unaudited)
Revenue growth	10.7%	(6.0)%
Net profit growth	(31.3)%	27.3%
Gross profit margin	18.8%	18.7%
Net profit margin	8.9%	12.0%
Return on equity	94.5%	69.7%
Return on total assets	16.9%	15.7%
Current ratio	1.2 times	1.3 times
Quick ratio	1.2 times	1.3 times
Inventories turnover days	N/A	N/A
Trade receivables turnover days	119.8 days	152.3 days
Trade payables turnover days	82.9 days	130.4 days
Gearing ratio	6.4%	20.9%
Net debt to equity ratio	Net cash	Net cash
Interest coverage	243.0 times	187.6 times

Revenue growth

Our revenue decreased from approximately HK$334.2 million for FY2019 to approximately HK$314.2 million for FY2020, representing a decrease of approximately HK$20.0 million or 6.0%. Please refer to the paragraph headed "Management's discussion and analysis of financial condition and operation results — Analysis of key items of results of operations" in this appendix for the reasons for the decrease in our revenue.

Net profit growth

Our profit and total comprehensive income increased from approximately HK$29.6 million for FY2019 to approximately HK$37.7 million for FY2020, representing an increase of approximately HK$8.1 million or 27.3%. Please refer to the paragraph headed "Management's discussion and analysis of financial condition and operation results — Analysis of key items of results of operations" in this appendix for the reasons for the increase in our net profit.

Gross profit margin

Our gross profit margin remained relatively stable at approximately 18.8% and 18.7% for FY2019 and FY2020, respectively.

Net profit margin

Our net profit margin increased from approximately 8.9% for FY2019 to approximately 12.0% for FY2020. It was mainly due to (i) the decrease in our non-recurring listing expenses of approximately HK$9.0 million during FY2020, and (ii) the decrease in our administrative expenses of approximately HK$2.5 million, which was partially offset by the slight decrease in our revenue and gross profit for FY2020.

Return on equity

Our return on equity decreased from approximately 94.5% for FY2019 to approximately 69.7% for FY2020, which was primarily due to the increase in our total equity of approximately 72.5% outweighing the increase in profit and total comprehensive income for the year of approximately 27.3%.

Return on total assets

Our return on total assets remained relatively stable at approximately 16.9% and 15.7% for FY2019 and FY2020, respectively.

Current ratio

Our current ratio remained relatively stable at approximately 1.2 times and 1.3 times as at 31 December 2019 and 2020, respectively.

Quick ratio

Due to our business nature, we did not have any inventories during FY2019 and FY2020. As such, our quick ratio was the same as our current ratio.

Trade receivables turnover days

Our trade receivables turnover days increased from approximately 119.8 days for FY2019 to approximately 152.3 days during FY2020. Such increase was mainly due to the increase in our outstanding trade receivables more than one month but within three months from approximately HK$34.5 million as at 31 December 2019 to approximately HK$68.9 million as at 31 December 2020.

Trade payables turnover days

Our trade payables turnover days increased from approximately 82.9 days for FY2019 to approximately 130.4 days for FY2020. Such increase was due to different amounts of work performed and billed by our subcontractors or different amounts of materials purchased from our material suppliers as at the respective financial year end date.

Gearing ratio

Our gearing ratio increased from approximately 6.4% for FY2019 to approximately 20.9% for FY2020. The increase was primarily due to the increase in our total bank borrowings of approximately HK$9.3 million during FY2020.

Net debt to equity ratio

Our net debt to equity ratio recorded net cash position as at 31 December 2019 and 2020.

Interest coverage

Our interest coverage decreased from approximately 243.0 times for FY2019 to approximately 187.6 times for FY2020. Such decrease was mainly due to the increase in finance costs incurred by our Group as a result of the increase in bank borrowings during FY2020.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Please refer to the paragraph headed "Business — Risk management and internal control systems" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Our Company will comply with the Corporate Governance Code contained in Appendix 14 to the Listing Rules after the Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an Audit Committee in compliance with the Corporate Governance Code. Each of the members of the Audit Committee has reviewed the 2020 Preliminary Financial Information as set out in this appendix.

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2020 as set out in the 2020 Preliminary Financial Information above have been agreed to by the reporting accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by the reporting accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the reporting accountants on the 2020 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange during FY2020, this disclosure requirement is not applicable to us.

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 13 March 2019 under the Companies Act. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its 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 15 March 2021. 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 a 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 its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its 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 its 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 its 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 the 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 the 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 the 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.

The Board may, in its 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 the 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.

The Board may, in its 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.

The 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 the 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 the 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 its own shares

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(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

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the 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 a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first 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 the Board shall not be taken into account in determining the 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 the 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. The 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 the 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 the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the 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 the Board for six consecutive months, and the 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 the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its 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 the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the 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 the 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 ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the 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.

The 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 the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the 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 the 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 its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the 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 the 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 its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the 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 the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The 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

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the 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 the 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. The 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 the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the 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 the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its 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 its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The 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 the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the 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) Disclosure of interest in contracts with our Company or any of its 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 the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The 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 it thinks fit, including the exercise in favour of any resolution appointing the 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 the 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 the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its 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 its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks 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 a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or 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 individually on a show of hands.

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 year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by the 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, the 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 the 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 the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by 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 a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by 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 the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The 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 its 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 the 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 the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its 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 the 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 Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the 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) the 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 the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by 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 the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the 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 the 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 listed 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 the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(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 13 March 2019 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 its 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 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 our 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

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to our Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

(aa) on or in respect of the shares, debentures or other obligations of our Company; or

(bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for our Company is for a period of 20 years from 17 April 2019.

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 its 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 60 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 a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the 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.

(t) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

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 the Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. 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 13 March 2019.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 April 2019 and our principal place of business in Hong Kong is Unit 1103, 11th Floor, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong. In connection with such registration, our Company has appointed Mr. Yeung of Flat 301, 3rd Floor, Block A, Foon Yan House, Tung Yan Court, Shau Kei Wan, Hong Kong and Mr. Chan Leung of Flat C, 24th Floor, Block 2, Harmony Garden, 9 Siu Sai Wan Road, Siu Sai Wan, Hong Kong as our authorised representatives for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Act and the 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 prospectus.

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 Shares with a 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 was transferred to Harvest Land for a consideration of HK$0.01. Upon completion of the above transfer and share issue, Harvest Land became the sole Shareholder of our Company.

(b) On 22 March 2019, as part of the Reorganisation, our Company and Harvest Land entered into a reorganisation agreement, pursuant to which, our Company acquired one share in Keybase Assets from Mr. Yeung, representing the entire issued share capital of Keybase Assets. In consideration of the transfer, our Company allotted and issued 99 Shares with a par value of HK$0.01 each, credited as fully paid to Harvest Land, at the direction of Mr. Yeung.

(c) On 15 March 2021, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each by the creation of an additional 9,962,000,000 Shares with a par value of HK$0.01 each, all of which shall rank equally in all respects with the existing Shares in issue.

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each, of which 1,000,000,000 Shares with a par value of HK$0.01 each will be allotted and issued fully paid or credited as fully paid and 9,000,000,000 Shares with a par value of HK$0.01 each will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed "A. Further information about our Group — 5. Written Resolutions of our sole Shareholder passed on 15 March 2021" and "A. Further information about our Group — 6. Repurchase of the Shares" under this appendix, the exercise of the Over-allotment Option 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 prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the paragraph headed "History, development and Reorganisation — Reorganisation" in this prospectus.

4. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants' Report.

Save as disclosed in the paragraph headed "History, development and Reorganisation — Reorganisation" in this prospectus, 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 prospectus.

5. Written resolutions of our sole Shareholder passed on 15 March 2021

Written resolutions of our sole Shareholder were passed on 15 March 2021 approving, amongst others, the following:

(a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association of our Company with immediate effect;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of additional 9,962,000,000 Shares of HK$0.01, all of which shall rank equally in all respects with the existing Shares in issue; and

(c) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and Conditions of the Share Offer" in this prospectus:

(i) the Share Offer and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms; (bb) implement the Share Offer and the Listing; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing 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 Share Offer, our Directors were authorised to capitalise the amount of HK$7,499,999 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 749,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on even date, or as each of them may direct in writing, in proportion (or as near as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares in issue;

(iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require the Shares to be allotted and issued), otherwise or any other share option scheme or similar arrangement for the time being adopted by our Company, or 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 Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option 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 Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised) and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and (2) the total number of Shares in issue which may be purchased by our Company, pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking renewing or varying the mandate given to our Directors, whichever occurs first;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be 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 Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first; and

(vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase the Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option 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 prospectus 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 15 March 2021, conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and Conditions of the Share Offer" in this prospectus, 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 Capitalisation Issue and the Share Offer (assuming the Over-allotment Option 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 Memorandum, 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 prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Act, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter-year or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day.

In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his, her or its securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus 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 prospectus. 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 Company's subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of Hong Kong and the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Our Company has not made any repurchases of its securities since its incorporation.

No core connected person has notified our Company that he has a present intention to sell 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 prospectus and are or may be material:

(a) a reorganisation agreement dated 22 March 2019 entered into among Mr. Yeung, our Company and Harvest Land, pursuant to which, our Company acquired one share in Keybase Assets, representing the entire issued share capital of Keybase Assets, from Mr. Yeung. In consideration of the acquisition, our Company allotted and issued 99 Shares, credited as fully paid, to Harvest Land, at the direction of Mr. Yeung;

(b) the Deed of Indemnity executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "E. Other information — 1. Tax and other indemnities" in this appendix;

(c) the deed of non-competition dated 18 March 2021 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding certain non-competition undertakings; and

(d) the Public Offer Underwriting Agreement dated 18 March 2021 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademark which is, in the opinion of our Directors, material to our business:

Trademark	Registered Owner	Classes	Place of Registration	Trademark Number	Expiry Date
	HDC	37, 42	Hong Kong	304791718	3 January 2029

(b) Domain name

As at the Latest Practicable Date, our Group has 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.hongdau.com.hk	HDC	13 March 2003	14 March 2024

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 the Shares, underlying Shares and debentures of our Company and its associated corporations after completion of the Capitalisation Issue and the Share Offer

Immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i)

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares(Note 1)	Approximate percentage of shareholding
Mr. Yeung	Interest in a controlled corporation (Note 2)	750,000,000 (L)	75%

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 75% by Harvest Land immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). Harvest Land is owned as to 100% by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the same number of Share held by Harvest Land.

(ii) Interests in the associated corporation of our Company

Name of Director/chief executive	Capacity/Nature of interest	Name of associated corporation	Number of shares in the associated corporation(Note)	Percentage of shareholding in the associated corporation
Mr. Yeung	Beneficial owner	Harvest Land	1 (L)	100%

Note: The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in such share.

(b) Interests and/or short positions of our substantial Shareholders under the SFO

Please refer to the section headed "Substantial Shareholders" in this prospectus 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 the Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which will be directly or indirectly, 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 completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the 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 Listing Date. 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 Director and Independent non-executive Directors

Each of the non-executive Director 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 Listing Date. 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 prospectus, 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 FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK$1.1 million, HK$1.4 million, HK$1.4 million, HK$1.7 million and HK$1.2 million, respectively.

For FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, the aggregate of contributions to pension schemes for our Directors were approximately HK$20,000, HK$36,000, HK$36,000, HK$36,000 and HK$28,000, respectively.

For FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately nil, nil, nil, nil and nil, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (including the independent non-executive Directors) for the year ending 31 December 2021 will be approximately HK$2.7 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 FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020 (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 FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020.

Under the arrangements currently proposed, conditional upon the Listing, 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. Yeung	1,800,000
Mr. Chan Leung	600,000
Non-executive Director	
Mr. Li Fat Chung	120,000
Independent non-executive Directors	
Ms. Chan Mei Wah	120,000
Mr. Mak Alexander	120,000
Mr. Wu Hak Ping	120,000

Each of the executive Directors, non-executive Director and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Company from time to time or for providing services to our Company or executing their functions in relation to our Company's business and operations.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of each of FY2016, FY2017, FY2018, FY2019 and the nine months ended 30 September 2020 by our Company to our Directors.

4. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants' Report.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of the associated corporation (within the meaning of Part XV of the SFO), immediately after the completion of the Capitalisation Issue and the Share Offer, without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option 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 in the register as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(b) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings 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 prospectus, 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 prospectus which is significant in relation to the business of our Group;

(e) none of the experts named under the paragraph headed "E. Other Information — 7. Qualifications of experts" in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder who are interested in more than 5% of the share capital has any interests in the 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 contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"). As at the Latest Practicable Date, there was no "Invested Entity" other than members of our Group, and our Group had not identified any potential "Invested Entity" for investment.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

(i) any employee (whether full time or part time, including our Directors (including any non-executive Director and independent non-executive Director)) of our Company, any of its subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an "**eligible employee**");

(ii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iii) any customer of any member of our Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(v) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and

(vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group.

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the share capital of our Company in issue from time to time.

(ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the total number of Shares (assuming the Over-allotment Option and the options granted under the Share Option Scheme are not exercised) in issue at the time dealings in our Shares first commence on the Stock Exchange, being 100,000,000 Shares ("**General Scheme Limit**").

(iii) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iv) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of our Shares in issue (assuming the Over-allotment Option and the options granted under the Share Option Scheme are not exercised) as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.

(iv) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (iii) above, our Company may seek separate shareholders' approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in sub-paragraph (iii) above to eligible participants identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to paragraph (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option schemes of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options 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 granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

(i) Without prejudice to sub-paragraph (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive of our Company or substantial Shareholder 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 sub-paragraph (i) above, where any grant of options under the Share Option Scheme to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% of the Shares in issue; and

(2) having an aggregate value, based on the closing price of our Shares on the offer date of each grant, in excess of HK$5 million;

such further grant of options must be approved by our Shareholders in a general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of the shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to the shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the 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 thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstance be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the 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 circumstance be refundable.

(g) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance target before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments 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 the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(ii) the average closing price of the 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 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 listed on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish announcements of 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 an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restriction adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our

Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the Grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (i) (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) Rights on a general offer, a compromise or 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 the 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 option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of the 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 (m), (l), (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 (m), (l), (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 of 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 the 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 relate (insofar as it is unexercised); and/or

(ii) the subscription price of any option; and/or

(iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(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, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(ii) or (c)(iv) above.

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so do so. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) Lapse of option

An option shall lapse automatically (to the extent not already exercised) immediately 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 listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and

(2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of our Shareholders.

(ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in a general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the Articles for the time being for a variation of the rights attached to the Shares.

(iii) Subject to sub-paragraph (v) below, any alterations to the terms and conditions of the Share Option Scheme which is of a material nature or any change to the terms of options granted shall be approved by our Shareholders except where the alteration takes effect automatically under the existing terms of the Share Option Scheme.

(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 listing of, and permission to deal in, the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, 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 (c) of the paragraph headed "B. Further Information about the Business of our Group — 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for each of our 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, profit, gain, transaction (including but not limited to any transactions involved in the Reorganization), event, matter or thing earned, accrued received, entered into or deemed to be so earned, accrued or received on or before the date on which the Share Offer 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, arbitration, claim (including counter-claims), complaint, demand and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional; and (ii) any alleged or actual violation or breach or non-compliance by any member of our Group with any law, regulation, rule or administrative order or measure in Hong Kong or other applicable jurisdictions on or before the date on which the Share Offer 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, specific provision, reserve or allowance has been made for such liability in the audited combined 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 Share Offer 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 Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings/Litigation

To the best knowledge of our Directors, save as disclosed in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or claims 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 listing of Shares

Our Company has applied to the Stock Exchange for the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned herein (including the additional Shares which may be issued upon full exercise of the Over-allotment Option and the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

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 Listing Date 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 Listing Date.

5. Preliminary expenses

The estimated preliminary expenses are approximately HK$61,800 and have 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 prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus, and have given and have not withdrawn their written consents to the issue of this prospectus with the inclusion of their letters, reports, and/or valuation certificate opinions and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

Name	Qualifications
Grande Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
Frost & Sullivan International Limited	Industry consultant
Appleby	Legal advisers to our Company as to Cayman Islands law
Edwin Yeung & Company (CPA) Limited	Certified Public Accountants
Mr. Lawrence Lok S.C.	Barrister-at-law and senior counsel of Hong Kong
Ms. Queenie W. S. Ng	Barrister-at-law of Hong Kong

Name	Qualifications
Mr. Au Chung Yuen	Safety Adviser, a safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation and a safety officer registered under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation

8. Consents of experts

Each of the abovementioned experts has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and reference to its name included in the form and context in which it respectively appears.

9. Fees of the Sponsor

The Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK$6.3 million in relation to the Listing 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 Share Offer, 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 Listing; and

(b) by way of the compliance advisory fee to be paid to Grande Capital Limited as our compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of our subsidiaries. None of the directors and employees of the Sponsor has any directorship in our Company or any member of our Group. The Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

11. Binding effect

This prospectus 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 prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and no commission (excluding sub-underwriters' commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Share or any member of our Group;

(b) no founder, management or deferred share of our Company has been allotted and issued or agreed to be allotted and issued;

(c) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(d) our Company has no outstanding convertible debt securities;

(e) our Group has no outstanding debentures;

(f) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2020, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report; and

(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 prospectus.

13. Bilingual Prospectus

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus 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 prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of each of the **WHITE** and **YELLOW** Application Forms;

2. the written consents as referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix V to this prospectus; and

3. a copy of each 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 prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;

2. the accountants' report of our Group from BDO Limited, the text of which is set out in Appendix I to this prospectus;

3. the audited financial statements of our Group during the Track Record Period;

4. the report from BDO Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

6. the legal opinion prepared by the Legal Counsel as to certain aspects of Hong Kong law relating to our Group;

7. the legal opinions prepared by the Senior Counsel in connection to the validity and legality of the two-tier trust arrangement of the Group;

8. the F&S Report;

9. the Companies Act;

10. the rules of the Share Option Scheme;

11. 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 prospectus;

12. the reports prepared by the Safety Adviser in respect of the safety management system and safety matters of our Group;

13. the tax opinions issued by Edwin Yeung & Company (CPA) Limited;

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 prospectus; and

15. the written consents as referred to in the paragraph headed ''E. Other information — 8. Consents of experts'' in Appendix V to this prospectus.

Unity Enterprise Holdings Limited
盈滙企業控股有限公司