

SUMMARY

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

BUSINESS OVERVIEW

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

Projects undertaken during the Track Record Period

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

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

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

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For the four months ended 30 April						
	No. of projects	2022 Revenue HK\$'000 (Unaudited)	% of total revenue %	No. of projects	2023 Revenue HK\$'000	% of total revenue %
Public sector						
– Infrastructure and public facilities	11	65,970	69.4	15	65,419	88.7
– Residential	3	309	0.3	2	1,449	2.0
Sub-total	14	66,279	69.7	17	66,868	90.7
Private sector						
– Commercial	7	28,780	30.3	3	5,573	7.6
– Residential	–	–	–	1	1,252	1.7
– Industrial	–	–	–	–	–	–
Sub-total	7	28,780	30.3	4	6,825	9.3
Total	21	95,059	100.0	21	73,693	100.0

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

- (i) Project No. #01, being our top project for FY2020 involving a private sector commercial development located at the Hong Kong International Airport with an estimated contract sum of approximately HK\$191.4 million, was completed at the end of FY2020, and no revenue was derived from Project No. #01 for FY2021; and
- (ii) the unexpected change to our works schedule of Project No. #02, being our largest project during the Track Record Period, which involved a public infrastructure development located at Kai Tak with an estimated contract sum of approximately HK\$360.2 million. Our Group secured Project No. #02 from Customer Group A in late 2019. According to the original project schedule, our contract works were supposed to commence in or around late 2019 and complete by mid-2021. In anticipation of the tight project schedule and scale of works under Project No. #02, our Group had started procuring materials and commenced part of the structural steel fabrication works shortly after we secured this project.

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

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

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

Amid the repeated rescheduling of Project No. #02, during the second half of FY2021, we attempted to recoup the expected revenue which would otherwise be generated from Project No. #02 in the absence of such rescheduling. We did this by tendering for new projects that have relatively shorter duration and could readily commence in the near term. Despite our efforts, the revenue generated from the projects we obtained during the second half of 2021 was not sufficient to compensate for the decrease in our revenue due to the lower amount of works performed under Project No. #02. In addition, as mentioned above, during the second half of 2020, we had temporarily refrained from tendering for sizeable projects which may substantially overlap with the revised project schedule of Project No. #02, resulting in lower amount of works performed by us in FY2021.

We mainly focused on the role of project management and supervision in carrying out our projects, and we have engaged subcontractors to perform a substantial part of the construction site works under our supervision. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) maintaining regular communication with our customers; (iv) monitoring the implementation of construction site works; (v) conducting site safety supervision and quality control; and (vi) developing detailed work schedule and work allocation plan. For FY2020, FY2021, FY2022 and the four months ended 30 April 2023, we incurred subcontracting fees of approximately HK\$71.0 million, HK\$48.9 million, HK\$91.6 million and HK\$21.9 million for our construction site works, representing approximately 29.3%, 32.9%, 39.8% and 45.5% of our total purchases, respectively.

Backlog

The following table sets out the movement in the value of backlog of our projects during the Track Record Period:

	FY2020	FY2021	FY2022	For the four months ended 30 April 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog as at the beginning of the relevant year/period	749,039	505,333	425,866	253,464
Add: Total value of contract works awarded during the relevant year/period <i>(Note 1)</i>	80,586	149,309	163,982	130,801
Less: Total revenue recognised during the relevant year/period	<u>(324,292)</u>	<u>(228,776)</u>	<u>(336,384)</u>	<u>(73,693)</u>
Ending value of backlog to be carried forward to next year/period <i>(Note 2)</i>	<u>505,333</u>	<u>425,866</u>	<u>253,464</u>	<u>310,572</u>

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Notes:

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

PRODUCTION FACILITIES AND CAPACITY

Wing Kei Dongguan, our PRC operating subsidiary, operates two production facilities located in Dongguan, the PRC, which process and fabricate structural steel required by our structural steelwork projects. Our Dapianmei Production Facility has a gross floor area of approximately 7,000 sq.m. and our Xinlong Production Facility has a gross floor area of approximately 8,700 sq.m.. For FY2020, FY2021 and FY2022, the utilisation rate of our Dapianmei Production Facility was approximately 96.8%, 80.1% and 85.8%, respectively; whereas the utilisation rate of our Xinlong Production Facility was approximately 85.3%, 76.2% and 77.6%, respectively. Our principal machinery includes cranes, cutting machines, drilling machines, grinding machines and welding machines. Our machinery is well-equipped to be used for fabricating steel plates into different size and shapes. For further details, please refer to the paragraph headed “Business – Production facilities and capacity” in this document.

As at the Latest Practicable Date, we have entered into agreements in the PRC in relation to (i) a lease of land (the “**Leased Land**”) and the property for the Dapianmei Production Facility (“**Leased Property No. 1**”) for a term of 50 years; and (ii) a lease of the property for the Xinlong Production Facility (“**Leased Property No. 2**”), together with the Leased Land and Leased Property No. 1, collectively the “**Leased Properties**”).

The ownership nature of the land for both of the Leased Property No. 1 and Leased Property No. 2 is collectively owned land. To the best of our Directors’ knowledge and as advised by our PRC Legal Advisers, owing to historical reasons, (i) the landlords of the Leased Land and Leased Property No. 1 failed to obtain the land use right certificate (土地使用權證書) for the Leased Land, and the construction planning permit (建設工程規劃許可證) and property ownership certificate (房屋所有權證) for Leased Property No. 1; whereas (ii) the landlord of Leased Property No. 2 failed to obtain the construction planning permit (建設工程規劃許可證) and property ownership certificate (房屋所有權證) for Leased Property No. 2. In addition, both landlords failed to obtain the consent of over two-thirds of the members or over two-thirds of the representatives of villagers at the villagers’ meetings of the relevant collective economic organisations in respect of the the leases for the Leased Properties. For further details, please refer to the paragraph headed “Business – Properties – Leased land and leased properties which are subject to title defects” in this document.

Our customers

During the Track Record Period, our customers mainly included construction contractors in Hong Kong, being the main contractors engaged by project owners. The number of customers with revenue contribution to our Group was 17, 17, 17 and seven for FY2020, FY2021, FY2022 and the four months ended 30 April 2023, respectively. For FY2020, FY2021, FY2022 and the four months ended 30 April 2023, the revenue derived from our top customer amounted to approximately HK\$126.6 million, HK\$151.6 million, HK\$237.7 million and HK\$37.6 million, respectively, while the revenue derived from our top five customers amounted to approximately HK\$296.6 million, HK\$216.4 million, HK\$315.6 million and HK\$71.3 million in aggregate, respectively. For FY2020, FY2021, FY2022 and the four months ended 30 April 2023, the percentage of our total revenue attributable to our top customer amounted to approximately 39.0%, 66.3%, 70.7% and 51.1% respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 91.5%, 94.6%, 93.8% and 96.7%, respectively.

When we undertake projects for our customers, there may be occasions where our customers procure materials and other services on our behalf and subsequently deduct such amounts in the relevant progress payments to us. The procurement made by our customers on our

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behalf mainly included materials such as steel and services such as machinery services and subcontracting services. For further details, please refer to the paragraph headed “Business – Top customers who were also our suppliers” in this document.

Our suppliers

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

Licences, registrations and permits

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

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

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

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

BUSINESS STRATEGIES

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

SALES AND MARKETING AND PRICING STRATEGY

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

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

RISK FACTORS

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

KEY OPERATIONAL AND FINANCIAL DATA

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

Combined statements of comprehensive income

	FY2020	FY2021	FY2022	For the four months ended 30 April	
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000	2023 HK\$'000
				(Unaudited)	
Revenue	324,292	228,776	336,384	95,059	73,693
Cost of services	(269,254)	(193,359)	(269,445)	(78,025)	(59,012)
Gross profit	55,038	35,417	66,939	17,034	14,681
Profit before income tax expense	43,427	20,935	46,456	7,580	9,096
Income tax expense	(6,721)	(3,599)	(7,191)	(1,293)	(1,603)
Profit for the year/period					
attributable to owners of the Company	36,706	17,336	39,265	6,287	7,493
Other comprehensive (losses)/income	(1,149)	(636)	1,482	604	(77)
Total comprehensive income					
for the year/ period					
attributable to owners of the Company	35,557	16,700	40,747	6,891	7,416

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

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

Our revenue decreased by approximately HK\$21.4 million or 22.5%, from approximately HK\$95.1 million for the four months ended 30 April 2022 to approximately HK\$73.7 million for the four months ended 30 April 2023 which was mainly due to the combined effect of: (i) a substantial amount of construction site works under Project No. #02 was performed by our Group in FY2022; (ii) the construction site works under Project No. #10 was completed during FY2022; (iii) Project No. #11 contributed revenue of approximately HK\$16.3 million for the four months ended 30 April 2023 while revenue of approximately HK\$0.4 million was recognised for the four months ended 30 April 2022; (iv) Project No. #09 commenced works in July 2022 which contributed revenue of approximately HK\$11.8 million for the four months ended 30 April 2023 while no revenue was recognised for the four months ended 30 April 2022; and (v) some new projects were awarded in late-2022 or 2023 while the purchase of materials, fabrication works and/or substantial site works are expected to be performed in or after second quarter of 2023. For details, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations – For the four months ended 30 April 2023 compared with the four months ended 30 April 2022” in this document.

Our profit for the year attributable to owners of our Company decreased from approximately HK\$36.7 million for FY2020 to approximately HK\$17.3 million for FY2021, and subsequently increased to approximately HK\$39.3 million for FY2022. Such changes were mainly due to the changes in our gross profit, other income, administrative expenses and impairment losses on financial assets and contract assets as discussed in the paragraph headed “Financial information - Period-to-period comparison of results of operations” in this document.

Our profit for the period attributable to owners of our Company increased from approximately HK\$6.3 million for the four months ended 30 April 2022 to approximately HK\$7.5 million for the four months ended 30 April 2023. Such increase was mainly because we recorded an impairment losses on financial assets and contract assets during the four months ended 30 April 2022 while we recorded a reversal of impairment losses on financial assets and contract assets during the four months ended 30 April 2023. For further details, please refer to the paragraph headed “Financial information - Period-to-period comparison of results of operations” in this document.

Highlights of our combined statements of financial position

	As at 31 December			As at 30
	2020	2021	2022	April
	HK\$'000	HK\$'000	HK\$'000	2023
				HK\$'000
Non-current assets	22,268	17,521	22,653	23,572
Current assets	141,269	135,123	174,800	150,163
Non-current liabilities	2,575	501	4,192	2,757
Current liabilities	79,821	54,302	62,673	52,974
Net current assets	61,448	80,821	112,127	97,189
Net assets	81,141	97,841	130,588	118,004

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Highlights of combined statements of cash flows

	FY2020 HK\$'000	FY2021 HK\$'000	FY2022 HK\$'000	For the four months ended 30 April 2022 HK\$'000 (Unaudited)	2023 HK\$'000
Net cash generated from/ (used in) operating activities	8,475	11,455	79,007	7,739	(12,038)
Net cash used in investing activities	(4,200)	(1,157)	(6,549)	(6,343)	(3,627)
Net cash used in financing activities	(7,919)	(13,129)	(15,414)	(1,673)	(25,101)
Net (decrease)/increase in cash and cash equivalents	(3,644)	(2,831)	57,044	(277)	(40,766)
Cash and cash equivalents at beginning of the year/period	18,148	14,536	11,729	11,729	68,696
Exchange difference on cash and cash equivalents	32	24	(77)	(119)	9
Cash and cash equivalents at end of the year/period	14,536	11,729	68,696	11,333	27,939

For the four months ended 30 April 2023, we recorded net cash flows used in operating activities of approximately HK\$12.0 million, which was mainly resulted from the negative adjustment due to (i) increase in contract assets by approximately HK\$19.8 million; (ii) decrease in trade payables, accruals and other payables by approximately HK\$6.1 million; and partly offset by the positive adjustment due to (i) decrease in trade and other receivables, deposits and prepayments by approximately HK\$2.0 million; and (ii) the depreciation of right-of-use assets of approximately HK\$1.5 million.

Key financial ratio

	FY2020 or as at 31 December 2020	FY2021 or as at 31 December 2021	FY2022 or as at 31 December 2022	Four months ended 30 April 2023 or as at 30 April 2023
Revenue growth	N/A	(29.5%)	47.0%	(22.5%)
Net profit growth	N/A	(52.8%)	126.5%	19.2%
Gross profit margin	17.0%	15.5%	19.9%	19.9%
Net profit margin	11.3%	7.6%	11.7%	10.2%
Return on equity	45.2%	17.7%	30.1%	6.3%
Return on total assets	22.4%	11.4%	19.9%	4.3%
Current ratio	1.8 times	2.5 times	2.8 times	2.8 times
Quick ratio	1.8 times	2.5 times	2.8 times	2.8 times
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	25.0 days	26.3 days	19.8 days	21.6 days
Trade payables turnover days	49.0 days	48.0 days	26.2 days	40.5 days
Gearing ratio	41.3%	21.7%	19.3%	15.4%
Net debt to equity ratio	23.4%	9.7%	Net cash	Net cash
Interest coverage	92.8 times	44.0 times	138.0 times	45.2 times

Our gearing ratio decreased from approximately 41.3% as at 31 December 2020 to approximately 21.7% as at 31 December 2021, which was mainly due to the repayment of bank borrowings during FY2021. Our gearing ratio subsequently decreased to approximately 19.3% as at 31 December 2022. Such decrease was mainly because of the increase in total equity during FY2022. Our gearing ratio further decreased to approximately 15.4% as at 30 April 2023. Such decrease was mainly due to the decrease in total borrowings.

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

CONTROLLING SHAREHOLDERS

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

LEGAL COMPLIANCE

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

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in certain claims, litigations and potential claim against our Group in the ordinary and usual course of our business. As at the Latest Practicable Date, there was one ongoing civil litigation involving our Group. For further details, please refer to paragraph headed “Business – Litigations and claims” in this document.

OFFERING STATISTICS

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

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

Notes:

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

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[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED] million. Out of the amount of approximately HK\$[REDACTED] million, approximately HK\$[REDACTED] million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$[REDACTED] million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] million that shall be charged to profit or loss, [REDACTED] has been charged for FY2020, FY2021, FY2022 and the four months ended 30 April 2023. Our Group’s financial performance and results of operations for the year ending 31 December 2023 will be adversely affected by the estimated expenses in relation to the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

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

DIVIDEND

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

Dividends of HK\$8.2 million, nil, HK\$8.0 million and HK\$20.0 million were declared and settled by the companies now comprising our Group to their then shareholders, during each of FY2020, FY2021, FY2022 and the four months ended 30 April 2023, respectively. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had 21 projects on hand with an aggregate of approximately HK\$413.0 million yet to be recognised as revenue after the Track Record Period. For further details, please refer to the paragraph headed “Business – Projects on hand” in this document.

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 April 2023, and there had been no events since 30 April 2023 which would materially affect the information shown in our combined financial statements included in the Accountant’s Report.