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OVERVIEW

We are an established contractor in Hong Kong engaged in civil and electrical cable engineering and solar PV system works. Our civil engineering works specialise in site formation works and road and drainage works, and our electrical cable engineering works specialise in cable trenching, laying and jointing works. For solar PV system works, we specialise in design, installation and maintenance works of solar PV systems. To a lesser extent, during the Track Record Period, we leased machinery and traded construction materials to contractors and subcontractors on an ad hoc basis in a limited number of projects (mainly Project No. #01) in which we participated in.

Our site formation works generally include earthworks, excavation and installation of steel structures. Our road and drainage works mainly include construction and modification of roads, carriageway and pavement, construction of covered walkways, renovation of subways and footbridges, provision of universal accessibility facilities at footbridges, elevated walkways and subways, construction of drainage systems, manholes, cable trenches and installation of water mains and sewerage pipes.

Our electrical cable engineering works generally include cable trenching, laying and jointing, and involve excavation, reinstatement and miscellaneous construction (such as concrete draw) works, traffic impact assessment as well as emergency and cable fault repair. According to the Industry Report, our Group is the largest power cabling and civil pipeline installation subcontractor in Hong Kong in 2023 with the market share of approximately 13.6% based on our revenue for FY2023/24. Our Directors recognised the growing importance of renewable energy and sustainable development which are two of the main drivers for Hong Kong's future development. Starting from 2019 and during the Track Record Period, our Group also performed design, installation and maintenance works of solar PV systems under our business segment of solar PV systems.

During the Track Record Period, we participated in certain major infrastructure projects in Hong Kong for each of our segments. For example:

- (i) in respect of our site formation works, we were one of the subcontractors participating in the infrastructure project at the third runway of the Hong Kong International Airport (i.e. the Third Runway Projects);
- (ii) in respect of our road and drainage works, we were the main contractor of a Government department for a village sewerage project at Mui Wo with a contract sum of approximately HK\$99.1 million; and

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(iii) in respect of our electrical cable engineering works, we are directly contracted by CLP Group, being a group of companies providing electricity to more than 80% of the Hong Kong’s population, to provide zonal cable trenching, laying and jointing works as well as emergency and cable fault repair under the Master Agreement A in which we covered the Sham Shui Po and Wong Tai Sin zones. We are also a subcontractor of CLP Group’s main contractor to provide zonal cable trenching, laying and jointing works as well as emergency and cable fault repair under the Master Agreement B in which we covered the Tsuen Wan zone. For the salient terms of the Master Agreement A and the Master Agreement B, please refer to the paragraph headed “Our Customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section. We are the only direct subcontractor of CLPe Solutions Limited and Kum Shing Construction (both as main contractors) for the scope of works set out in the Master Agreement A and the Master Agreement B (i.e. cable trenching, laying and jointing works as well as emergency and cable fault repair), respectively.

The following table sets forth the breakdown of our revenue by segments during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Civil engineering:	278,276	53.5	175,411	48.6	365,454	69.5
— Site formation works	263,022	50.6	114,596	31.8	309,429	58.8
— Road and drainage works	15,254	2.9	60,815	16.8	56,025	10.7
Electrical cable engineering	127,638	24.5	125,409	34.7	113,244	21.5
Solar PV system.	32,907	6.3	38,043	10.5	44,308	8.4
Total service revenue	438,821	84.3	338,863	93.8	523,006	99.4
Leasing of machinery	37,774	7.3	14,917	4.1	1,029	0.2
Sales of materials.	43,756	8.4	7,427	2.1	2,064	0.4
Total other revenue	81,530	15.7	22,344	6.2	3,093	0.6
Total revenue	520,351	100	361,207	100	526,099	100

For FY2021/22, FY2022/23 and FY2023/24, there were 43, 59 and 73 projects which contributed a total of approximately HK\$438.8 million, HK\$338.9 million and HK\$523.0 million to our service revenue, respectively. As at 31 July 2024, we had 27 projects on hand with backlog value of approximately HK\$815.5 million. For further details, please refer to the paragraph headed “Projects on hand” below in this section.

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During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. Our site formation works and road and drainage works projects were mainly public sector projects during the Track Record Period. The customers of our public sector projects included various Government departments and main contractors engaged under such projects in which the project owners are Government departments or statutory bodies of the Government. To a lesser extent, we were also engaged in private sector projects in Hong Kong. Our electrical cable engineering works projects were mainly private sector projects during the Track Record Period. The customers of our private sector projects were main contractors engaged under such projects or the project owners which mainly included the CLP Group. The following table sets forth a breakdown of our service revenue during the Track Record Period by reference to project sectors:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	288,036	65.6	197,743	58.4	382,976	73.2
Private sector	150,785	34.4	141,120	41.6	140,030	26.8
Total service revenue	438,821	100	338,863	100	523,006	100

We undertook projects in the capacity as main contractor and subcontractor during the Track Record Period. The following table sets forth a breakdown of our service revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	17,353	4.0	63,078	18.6	58,136	11.1
Subcontractor ^(Note)	421,468	96.0	275,785	81.4	464,870	88.9
Total service revenue	438,821	100	338,863	100	523,006	100

Note: In respect of the Master Agreement A with CLPe Solutions Limited, we are the subcontractor in which CLPe Solutions Limited is a company within the CLP Group. Our revenue attributable to the Master Agreement A amounted to approximately HK\$70.3 million, HK\$79.3 million and HK\$81.4 million for FY2021/22, FY2022/23 and FY2023/24, respectively.

We maintain a pool of site workers who are capable of undertaking different types of construction works. Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project, such as piling, reinforcement bar fixing and structural steelwork, to our subcontractors which are on our approved list of subcontractors. Typically, our major responsibilities as main contractor in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety

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supervision and quality control; and (v) developing detailed work schedule and work allocation plan. For FY2021/22, FY2022/23 and FY2023/24, we incurred subcontracting fees of approximately HK\$131.9 million, HK\$97.9 million and HK\$143.4 million, representing approximately 30.9%, 34.3% and 35.5% of our total cost of services, respectively.

Our Group possesses various licences and qualifications which enable us to undertake projects as main contractor and subcontractor across the public and private sectors. Our Group is registered with the EMSD as a registered electrical contractor. Besides, our Group is registered on the List of Approved Contractors for Public Works maintained by the Development Bureau under Group A on probation of the Roads and Drainage category, such that we are eligible to directly tender for public works contracts under such category of value not exceeding HK\$150 million. Our Group intends to apply for the “confirmed” status in respect of the probationary status of the List of Approved Contractors for Public Works under the category of Roads and Drainage (Group A) upon satisfaction of all the required conditions including (i) satisfactory completion or execution for a period of two consecutive years within the past five years, as the main contractor, of one Government contract; (ii) reaching over 50% of the applicable prevailing authorized contract value of Group A (i.e. HK\$75 million); and (iii) having experience in (a) construction of concrete carriageway; and (b) laying of pre-cast concrete pipes of various diameters. Our Directors are of the view that there should not be any obstacle in applying for the “confirmed” status once our Group satisfies all the aforesaid conditions and be eligible to lodge such application upon completion of Project No. #06 in June 2025. Meanwhile, subcontractors engaged under public sector projects initiated by the Government are generally required to possess registration under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. Two of our operating subsidiaries, namely Wing Lee Construction and Tai Shan Engineering, are currently registered specialist trade contractors and registered subcontractors under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. For further details of our licences and qualifications, please refer to the paragraph headed “Licences and registrations” below in this section.

COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

We have an established track record in the civil and electrical cable engineering industries in Hong Kong

The history of our Group can be traced back to 2005, when Mr. Yiu established Sum Hing Trading, being the first subsidiary of our Group. In our operating history of over 18 years, we gradually established ourselves in both the civil and electrical cable engineering industries. For details of our historical development, please refer to the paragraph headed “History, Development

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and Reorganisation — History” in this document. During the Track Record Period, we had completed 79 projects, and as at 31 July 2024 we currently have 27 projects in progress. In addition, we take pride in our participation in sizeable infrastructure projects during the Track Record Period such as the Third Runway Projects at the Hong Kong International Airport and are of one of the subcontractors of the CLP Group/CLP Group’s main contractor to provide zonal cable trenching, laying and jointing, covering the Shum Shui Po, Wong Tai Sin and Tsuen Wan zones. According to the Industry Report, our Group is the largest power cabling and civil pipeline installation subcontractor in Hong Kong in 2023 with the market share of approximately 13.6% based on revenue for FY2023/24.

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

We have diverse experience and capabilities in a wide spectrum of construction services

Throughout the years of our operation, we have accumulated diverse expertise and experience in a variety of construction services ranging from site formation works and road and drainage works in civil engineering, to cable trenching, laying and jointing works in electrical cable engineering, to solar PV works. For details of our scope of services, please refer to the paragraph headed “Description of our services” in this section. Our diverse experience and capabilities allow us to provide specific types of construction services as well as integrated construction services in a wide range of construction projects. Further, our wide range of construction services help us cross-sell our services to our customers. For instance, sizeable development projects sometimes require main contractors to engage several different subcontractors across various areas of works. With our expertise in a broad range of construction works, we are able to offer multiple types of construction services as a whole package to our customers, thereby reducing the need for our customers to engage numerous subcontractors to perform different types of works. According to the Industry Report, the Government focuses on infrastructure development and continues to allocate substantial funds to such projects such as the Northern Metropolis Development, Hung Shui Kiu/Ha Tsuen New Development Area, Hong Kong-Shenzhen Innovation and Technology Park, Tung Chung Line Extension, site formation and infrastructure works for public housing development in Wang Chau etc. as outlined in the Policy Address 2023 and the 2024/2025 Budget. We believe that our extensive industry experience enables us to cater for the needs of our customers, which positions us to take on a wide range of customers and business opportunities, particularly in the upcoming sizeable infrastructure projects in Hong Kong.

We believe that our diverse experience and capabilities give us a competitive edge in bidding for new projects.

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We possess our own labour and own a fleet of machinery and equipment to undertake a wide range of construction projects

We possess our own labour. As at the Latest Practicable Date, we had a total of a workforce of 376 employees which included project managers, engineers, safety managers, procurement managers, foremen and finance and administration staff. For details of our employees, please refer to the paragraph headed “Employees” in this section. In addition, we have our own machinery and equipment including excavators, road rollers, crawler cranes, generators and dump trucks for performing different types of civil and electrical cable engineering works. As at the Latest Practicable Date, our self-owned machinery included 87 excavators, 12 road rollers, 3 crawler cranes, 11 generators and 66 dump trucks. For details of our self-owned machinery, please refer to the paragraph headed “Machinery” in this section. Our executive Directors believe that our possession of manpower and our investment in machinery and equipment give us the flexibility and enable us (i) to cater for our projects of different scales and complexities; (ii) to deploy our own labour and machinery and equipment which in turn would improve our efficiency and schedule planning; and (iii) to reduce our reliance on subcontractors/suppliers in providing the required manpower, machinery and equipment for our projects which in turn would facilitate us in maintaining the competitiveness of our pricing.

Our management team is experienced and is up-to-date with the development of the construction industry

Our management team has extensive industry knowledge and project experience in the construction industries in Hong Kong. Mr. Yiu, the chairman of our Board, the chief executive officer of our Group, executive Director and one of our founders, has over 26 years of experience in the civil and electrical cable engineering industries. Mr. Yiu is primarily responsible for the overall management, formulation of business strategies, project management and day-to-day management of the operations of our Group. Mr. Yiu Wang Lung, an executive Director and one of our founders, has over 18 years of experience in the civil and electrical cable engineering industries. Mr. Yiu Wang Lung is primarily responsible for the overall project management and day-to-day management of the operations of our Group. Mr. Chan, an executive Director, has over nine years of experience in the civil and electrical cable engineering industries. Mr. Chan is primarily responsible for the day-to-day project management and day-to-day management of the operations of our Group. Our executive Directors are supported by our senior management team consisting of five personnel, who possess practical skills and experience as required in handling our projects. For example, Mr. Wong Sai Yiu and Mr. Mok Chiu Po, our Deputy General Managers, has over 15 and 19 years of experience in the civil and electrical cable engineering industries, respectively. For further details regarding the background and experience of our management team, please refer to the section headed “Directors and Senior Management” in this document.

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

In addition, our Directors recognised the growing importance of renewable energy and sustainable development which are two of the main drivers for Hong Kong’s future development in which the Government has taken actions to promote the development of renewable energy such as the implementation of Feed-in-Tariff (FiT). According to the Industry Report, FiT is an important initiative to promote the development of renewable energy under the current Scheme of Control Agreements, which were signed between the Government and two power companies, namely the HK Electric and CLP Holdings in April 2017. The applications of the FiT scheme increased from 60 in 2018 to over 18,000 in 2021 based on the latest published information as at the Latest Practicable Date. With the concerted effort from the community, the solar among renewable energy significantly increased by 47 terajoules in 2018 to 432 terajoules in 2021 and further increased to 754 TJ in 2022, according to the “Hong Kong Energy End-use Data 2024” released by the EMSD in September 2024, mainly due to the FiT scheme. Further, as of the year end of 2023, more than 2,000 solar energy projects have been completed under the FiT scheme. The FIT scheme in Hong Kong has experienced continued growth, with approved generation capacity increasing from 90 kWh in 2019 to 376 kWh in 2023. The annual growth rates for approved generation capacity in 2022 and 2023 were 26.8% and 11.9%, respectively, which are lower than the annual growth rates of 94.4% in 2020 and 51.4% in 2021. This flattening growth rate was primarily due to a base effect, as annual increments were measured against a higher generation capacity in the previous year. Although growth rates have moderated in recent years and FIT tariff rates were reduced in 2022 — adjusting the FIT rates from HKD3–HKD5 per kw to HKD2.5–HKD4 per kw — participation remains robust. This is largely due to falling solar panel prices, which offset the impact of lower tariffs by reducing overall installation costs. The scheme’s trajectory indicates sustained interest in renewable energy adoption in Hong Kong, despite some flattening in growth rates compared to the rapid expansion seen in 2020–2021. These trends suggest a stabilising market that continues to support our Group’s business and financial performance in Solar PV system segment. Overall, the participation in the FiT Scheme reflects a positive trend toward renewable energy adoption in Hong Kong, driven by awareness, incentives, and supportive policies. This momentum is crucial for achieving long-term sustainability and energy goals. Starting from 2019 and during the Track Record Period, our Group also performed design, installation and maintenance works of solar PV systems under our business segment of solar PV system.

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We impose a 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 quality management system has been certified to satisfy the requirement of ISO 9001:2015. We have also set up an occupational health and safety system to promote safe working practice among all employees and to prevent the occurrence of accidents through safety inspections. Our health and safety management system has been certified to be in conformance with ISO 45001:2018. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us, and our environmental management system has been certified to satisfy the requirement of ISO 14001:2015.

Our executive Directors believe that our stringent quality assurance system and strong commitment to environmental management 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 a civil and electrical contractor in Hong Kong.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the construction industry in Hong Kong. We intend to achieve our future expansion plans by adopting the following key business strategies:

1. Acquiring additional electric machinery and equipment to enhance our operational capacity for our ongoing and upcoming projects and to seize the opportunity for sustainable construction

Machinery is crucial for carrying out our works in projects. As at 31 March 2022, 31 March 2023 and 31 March 2024, the carrying amount of our self-owned machinery amounted to approximately HK\$48.2 million, HK\$42.3 million and HK\$79.9 million, representing approximately 17.9%, 16.4% and 21.8% of our total assets as at the same dates, respectively. During the Track Record Period, we also leased machinery for performing our projects and incurred machinery and equipment leasing expenses. The following table sets forth the amount of our machinery and equipment leasing expenses and depreciation of property and equipment within our cost of services and their respective proportion during the Track Record Period:

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	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment leasing expenses ^(Note 1)	96,327	9,501	24,760
% to total cost of services ^(Note 1)	22.6%	3.3%	6.1%
Depreciation of property and equipment ^(Note 2)	8,510	10,384	10,899
% to total cost of services ^(Note 2)	2.0%	3.6%	2.7%

Notes:

1. The significant decrease in our machinery and equipment leasing expenses from approximately HK\$96.3 million for FY2021/22 to approximately HK\$9.5 million for FY2022/23 was mainly due to the significant decrease in demand on machinery and equipment for FY2022/23 for Project No. #01, which was substantially completed towards end of FY2021/22. In addition, as we began to acquire additional machinery in FY2021/22 for our own use, we incurred less machinery and equipment leasing expenses for FY2022/23 and FY2023/24, which amounted to 3.3% and 6.1% of our total cost of services, respectively, as compared to FY2021/22. The increase in machinery and equipment leasing expenses in amount for FY2023/24 was mainly due to the volume of works involved during FY2023/24, which was evident by the increase in service revenue during the same financial year.
2. It is our Group’s accounting policy that depreciation of machinery is calculated using the straight-line method and the estimated useful lives of machinery ranged from 5 to 10 years. As such, the cost of newly acquired machinery is depreciated and spread over the useful lives, and as a result, the financial impact of the newly acquired machinery on profit or loss was less apparent than the financial impact of reduced machinery and equipment leasing expenses in profit or loss. In addition, depreciation of newly acquired machinery is non-cash flow related whereas equipment leasing expenses are cash outflow so far as our Group is concerned.

As our capacity to carry out our works for our customers depends largely on the availability of our machinery fleet, we intend to acquire additional machinery to enhance our overall operational capacity for our ongoing and upcoming projects. We believe that our investment in the addition of machinery, including electric excavators, electric cement mixer, electric crawler crane and portable combo fast charging stations, can help strengthen our position to cater for projects in civil and electrical cable engineering works and solar PV system works of different scales and complexity, and to enable us to meet the expected growing demand in the construction industry in Hong Kong. Our executive Directors believe that the purchase of additional machinery and equipment will also enable us to manage the timeline of each project efficiently due to the immediate availability of the relevant machinery and equipment, cope with our future business expansion and enhance our overall efficiency, capacity and technical capability in performing our projects by enabling us to undertake large scale projects with higher scale of complexity. By doing so, we can cater for different needs and requirements of different customers.

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In evaluating whether to lease or acquire new machinery, our executive Directors are of the view that acquisition is more beneficial to our financial performance. As an illustration, the following table sets forth the quantification of savings in machinery and equipment leasing expenses due to the machinery acquired during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Actual depreciation expenses recognised in respect of the newly acquired machinery during the year	172	3,286	4,667
Estimated machinery and equipment leasing expenses in respect of the newly acquired machinery during the year ^(Note 1)	681	10,555	21,135
Savings ^(Note 2)	509	7,269	16,468

Notes:

1. It represents the estimated machinery and equipment leasing expenses in respect of our newly acquired machinery during the year (i.e. the estimated machinery and equipment leasing expenses our Group would have incurred assuming that our Group did not acquire but leased the new machinery and equipment) based on historical lease prices for similar machinery and equipment.
2. It represents the difference between the actual depreciation expenses and the estimate leasing expenses in respect of the new machinery.

In addition, our executive Directors are of the view that sustainable construction is our Company’s corporate social responsibility and is a megatrend in the construction industry, which aims at reducing construction industry’s impacts on environmental, social and economic aspects caused by the construction process. According to the Industry Report, with the increasing awareness of environmental protection, the Government has issued and continuously revised Buildings Energy Efficiency Ordinance (BEEO) to raise industry standards and promote market demand for energy efficiency solutions. The construction industry is also actively involved. For instance, the Hong Kong Green Building Council (HKGBC) has also introduced the first-ever “Climate Change Framework for Built Environment” and “Zero-Carbon-Ready Building Certification Scheme” in 2023 to encourage the industry to adopt systematic and benchmark-driven approaches to reduce energy consumption.

In October 2021, the Government launched the “Hong Kong’s Climate Action Plan 2050”, setting out the vision of “Zero-carbon Emissions • Liveable City • Sustainable Development”, outlining the strategies and targets for combating climate change and achieving carbon neutrality. Back in October 2018, the Development Bureau established the Construction Innovation and

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Technology Fund (CITF) with an approved original budget of HK\$1 billion (an additional budget of HK\$1.2 billion was injected by the Government in the 2022-23 Budget) to support technologies in, among others, enhancing environmental performance. Part of the funding by CITF includes funding on Advanced Construction Technologies (ACT). As such, the additional machinery to be acquired by us will be electric machinery. Through investing in and deploying electric machinery in our upcoming projects, our executive Directors believe that our Group can be one of the first companies in the construction industry to foster sustainable construction culture and make a contribution towards Hong Kong’s “Zero-carbon Emissions • Liveable City • Sustainable Development” vision.

In June 2024, our Group has entered into a distribution agreement (the “**Distribution Agreement**”) with China Wealth. China Wealth is (i) a fellow subsidiary of Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), being a company listed on the Main Board of the Stock Exchange (stock code: 631) which is principally engaged in the manufacture and sale of mining equipment, logistics equipment, robotic and smart mined products, petroleum equipment, new energy manufacturing equipment, and spare parts and the provision of related services in the PRC; (ii) a fellow subsidiary of Sany Heavy Industry Co., Ltd* (三一重工股份有限公司), being a heavy equipment manufacturing multinational company which is listed on the Shanghai Stock Exchange (stock code: 600031); and (iii) a group company of one of our [REDACTED], namely Sany Hongkong Group Limited (三一香港集團有限公司). Mr. Liang Wengen (梁穩根先生), a Chinese entrepreneur, is the ultimate beneficial owner of the above companies.

The electric machinery of China Wealth, such as electric loader and electric excavator, is on the pre-approved list of the CITF under the category of advanced tools and equipment.

The material terms of the Distribution Agreement are as follows:

Term	Three years commencing from 12 June 2024
Product	Certain types of electric construction machinery from China Wealth (the “ Distributed Products ”)
Exclusivity	Non-exclusive distribution right in Hong Kong
Pricing	Our Group can purchase the Distributed Products from China Wealth at a fixed discount rate from the marked price of the relevant Distributed Product for our own use and/or to distribute in Hong Kong.

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	<p>Our Group has sole discretion to determine the selling price of the relevant machinery to our customers.</p>
Minimum purchase amount	<p>No such requirement</p>
Reward	<p>At any time during the term of the Distribution Agreement, once our Group is able to purchase over an agreed amount, China Wealth shall pay our Group an amount that is equivalent to a fixed percentage of the total sales amount achieved by our Group in that particular year as a reward.</p>
Credit terms	<p><i>If the Distributed Products are for our Group’s self-use:</i></p> <p>Our Group shall first pay 10% of the total order amount as deposit, thereafter we can elect to settle the remainder by up to 24 interest-free equal installments.</p> <p><i>If the Distributed Products are for distribution by our Group:</i></p> <p>Our Group shall first pay 10-30% of the total order amount as deposit, thereafter our Group shall settle the remainder within 2 months after delivery of the relevant Distributed Products by China Wealth.</p>
Delivery	<p>Delivery shall be made to such destination and at such dates as indicated by our Group in the purchase order.</p>
Termination	<p>By expiration of the term, unless early termination by either party if the other party breaches the Distribution Agreement and fails to rectify the breach within 30 days after receiving written notice from the non-breaching party.</p>

Our Group intends to enter into electric machinery distribution mainly because:

- (i) our executive Directors are of the view that sustainable construction is a megatrend in the construction industry as illustrated by the abovementioned Government’s various initiatives such as “Hong Kong’s Climate Action Plan 2050”;

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- (ii) considering the emerging trend of electric machinery for construction in Hong Kong, our executive Directors consider that our Group would be in advanced strategic position as one of the first initial market player in electric machinery distribution;
- (iii) based on the experience of our executive Directors, the construction industry and other engineering contractors are in demand of machinery (where our Group is no exception as further elaborated in the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document). For example, in Project No. #01, the other contractors were in need for machinery, in which our Group leased machinery to other contractors in that project and earned ancillary rental income; and
- (iv) our executive Directors are of the view that electric machinery is welcome by other contractors in the construction industry considering the cost savings (such as fuel and oil expenses) of using electric machinery in longer run.

The principal business of our Group is and will remain to be engaging in civil and electrical cable engineering and solar PV system works, whereas electric machinery distribution is only intended to be our ancillary business activity. As such, our initial target customers are other contractors working in the same construction projects such that our Group would be in a better position to understand the precise type of machinery that can address the needs of the target customers. In terms of pricing strategy, our Group intends to set the price for electric machinery distribution taking into account factors including the reference retail price provided by China Wealth and a certain mark-up over our cost of purchase.

Since entering into the Distribution Agreement, and as at the Latest Practicable Date, our Group had not sold any machinery of China Wealth.

We intend to apply approximately HK\$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for acquiring additional electric machinery and equipment. For further details, please refer to the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

2. Competing for more sizeable projects

We plan to further expand our capacity in order to undertake more sizeable projects in civil and electrical cable engineering works and solar PV system works in Hong Kong. According to the Industry Report, the gross value of civil engineering works in Hong Kong is expected to increase from approximately HK\$59,918.2 million for 2024 to approximately HK\$68,817.3 million for 2028, representing a CAGR of approximately 3.5%, and in particular, the gross value of (i) site formation and clearance works; (ii) road and drainage works; and (iii) power cabling and civil

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pipeline installation and solar system construction and maintenance are expected to grow with a CAGR of approximately 7.4%, 3.7% and 6.4% over the period from 2024 to 2028, respectively. As such, our executive Directors believe that our Group should focus on deploying our resources towards competing for sizeable and profitable projects in civil and electrical cable engineering works and solar PV system works in Hong Kong in order to grasp the imminent business opportunity. However, the number of these projects that can be executed by our Group at any given time is limited by our resources including the availability of our working capital and cash flow, manpower and machinery. It is common in the construction industry that our Group incurs net cash outflows at the early stage of our project since our Group typically requires to pay the start-up costs, such as materials costs and subcontracting charges in advance of payment from its customers, whereas the customers normally make progress payments to our Group after the works have commenced and/or are completed.

We intend to apply approximately HK\$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for paying upfront costs for our new projects. For further details, please refer to the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

3. Expanding our manpower for project execution and strengthening the skills of our employees

We believe that a team of strong staff members equipped with industry knowledge, skills in the construction industry and experience in operating different types of machinery and equipment is crucial to our continuing success. As at the Latest Practicable Date, all of our project management staff had been deployed to our projects on hand. Our executive Directors consider that our current scale of project management staff may not be sufficient to meet the project management needs arising from the additional and more sizeable projects that we intend to undertake in the future. Should we undertake additional projects in the future, our existing project management staff may not be able to devote sufficient time and attention to properly supervise and manage the works undertaken by us and our subcontractors. By expanding our manpower resources, our executive Directors believe that we would have additional capacity to undertake more projects simultaneously while maintaining our project management efficiency and service quality. In addition, we intend to arrange training workshops or courses for our staff members to update their knowledge in the foundation and site formation industry and enhance their technical skills. Such training workshops or courses are to be conducted either internally or by external parties such as other training authorities with subsidies of admission fees.

Based on the aforesaid, our executive Directors consider that it is imperative for our Group to expand our project management team in order to enhance our project management capabilities along with the planned expansion in our business scale and operation. We currently plan to hire

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additional project managers, safety manager and officers, quantity surveyors and engineers after the [REDACTED] to cope with the expected growth in our business. We intend to apply approximately HK\$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for recruiting new staff members. For further details, please refer to the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

4. Enhancing our occupational safety and project implementation efficiency through information technology

We are committed to promoting safety practice during the implementation of our projects. For example, we require our employees and our subcontractors’ employees to strictly follow our safety rules as set out in the safety plan. Notwithstanding our accident rates during the Track Record Period was lower than the industry average in Hong Kong (the details of which are set out in the paragraph headed “Occupational health and work safety — Analysis of accident rates” in this section), our executive Directors believe that the adoption of technologies, namely, Smart Site Safety System (“4S”), can readily aid occupational safety thereby safeguarding workers’ safety. 4S generally comprises of three components, namely smart safety devices for monitoring activities and identifying safety hazards; a communication network for transmitting data collected from smart safety devices; and a centralised management platform for providing a one-stop hub for data analysis and alerts generation, as well as facilitating follow-up actions. The system enables the project team to grasp the safety situation of the entire construction site by collecting and transferring real-time data to a centralised management platform. Whenever a potential hazard is detected, the system will immediately alert the safety management staff and workers on site.

The adoption of 4S is also part of the Government’s policy. For instance, in May 2024, the Development Bureau and the CIC jointly launched the 4S Labelling Schedule and a series of relevant measures to drive a wider adoption of 4S in the industry for providing a safe working environment for site personnel. The first batch of 110 public and private construction sites participating in the 4S Labelling Scheme has passed the assessment and were issued label plaques in July 2024 to indicate the proper adoption of 4S at their respective construction sites. Besides, mandatory measures imposed under the Buildings Ordinance issued by the Buildings Department have come into effect since 1 July 2024. These measures require the adoption of 4S to provide qualified supervision of building works when granting the first approval, or approval of major revisions of superstructure plans, for private development projects. Building works with an estimated cost exceeding HK\$30 million and involving the use of mobile plants and tower cranes, registered contractors are required to adopt relevant 4S alert systems.

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In addition, we intend to enhance our information technology capability and increase our efficiency in project implementation. In this regard, we plan to apply part of our [REDACTED] from the [REDACTED] for procuring an enterprise resources planning (“ERP”) system to better plan and allocate our manpower.

We intend to apply approximately HK\$[REDACTED] of our [REDACTED] from the [REDACTED] (representing approximately [REDACTED]% of the total [REDACTED]) for procuring 4S and an ERP system. For further details, please refer to the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

DESCRIPTION OF OUR SERVICES

We are an established contractor in Hong Kong engaged in civil and electrical cable engineering and solar PV system works. Our civil engineering works specialise in site formation works and road and drainage works, and our electrical cable engineering works specialise in cable trenching, laying and jointing works. For solar PV system works, we specialise in design, installation and maintenance works of solar PV systems. To a lesser extent, during the Track Record Period, we leased machinery and traded construction materials to contractors and subcontractors in a limited number of projects we participated in.

During the Track Record Period, while some of our electrical cable engineering works and all of our civil engineering works were under project-based contracts, we provided some of our electrical cable engineering works under fixed-term contracts pursuant to which we are responsible for providing zonal cable trenching, laying and jointing works in which the CLP Group is the project owner. For further information, please refer to the paragraph headed “Our Customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section.

We maintain a pool of site workers who are capable of carrying out different types of construction works. Depending on our capability, resources level, cost effectiveness and the complexity of a project, we may subcontract specific parts of a project, such as piling, reinforcement bar fixing and structural steelwork, to our subcontractors on our Group’s approved list of subcontractors. Typically, our major responsibilities in a project include (i) arranging site preparatory and preliminary works; (ii) engaging and supervising our subcontractors; (iii) monitoring the implementation of site works; (iv) conducting site safety supervision and quality control; and (v) developing detailed work schedule and work allocation plan.

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Civil engineering — site formation works

Our site formation works generally include earthworks, excavation and installation of steel structures. The site formation works carried out by our Group involve the following:

- (i) clearance of construction sites such as removal of unwanted structures, shrubs, surface soil and debris, and demolition of existing structures;
- (ii) excavation to the design formations and/or basement levels;
- (iii) preparing construction sites for subsequent foundation works, substructure construction and/or superstructure construction;
- (iv) construction of retaining structures;
- (v) construction of surface drainage systems; and
- (vi) cutting, filling and stabilisation of slopes.

The following images illustrate the processes involved in our civil engineering works:



Site formation works



Structure works

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Civil engineering — Roads and drainage works

Roads works are usually grouped into two types, namely (i) construction of new roads, such as expressways, trunk roads, primary distributor roads, district distributor roads and local distributor roads, and (ii) maintenance of existing roads. Drainage works refer to construction, improvement and maintenance of sewage treatment facilities, and storm water drainage facilities.

The principal types of roads and drainage works performed by us include construction and modification of roads, carriageways and pavements, construction of covered walkways, renovation of subways and footbridges, provision of universal accessibility facilities at footbridges, elevated walkways and subways, construction of drainage systems, manholes and installation of water mains and sewerage pipes.

The following images illustrate the processes involved in our roads and drainage works:



Construction of Walkway Cover



Construction of Sewage System

Electrical cable engineering — cable trenching, laying and jointing works

Our electrical cable engineering works generally include cable trenching, laying and jointing, and involve excavation, reinstatement and miscellaneous construction (such as concrete draw) works, traffic impact assessment as well as emergency and cable fault repair.

As at the Latest Practicable Date, we are one of the subcontractors of the CLP Group/CLP Group's main contractor to provide zonal cable trenching, laying and jointing, covering the Shum Shui Po, Wong Tai Sin and Tsuen Wan zones. During the FY2021/22, we also provided similar services for the Yuen Long zone under the Master Agreement C.

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According to the Industry Report, it is common for construction contractors to rely on those main contractors who provides zonal electrical cable engineering works for the CLP Group as the project owner. It is not uncommon for the CLP Group to issue tenders for electrical cable engineering work projects to contractors located in different districts across Hong Kong. This allows them to leverage the expertise and resources of contractors based in various parts of Hong Kong to carry out necessary infrastructure and maintenance work for their electrical grid and distribution network.

The following images illustrate the processes involved in our cable trenching, laying and jointing works:



Solar PV system works

Our solar PV works generally involve design, supply and installation of solar PV systems. We also provide annual maintenance services of solar PV systems.

The following images illustrate the processes involved in our solar PV installation works:

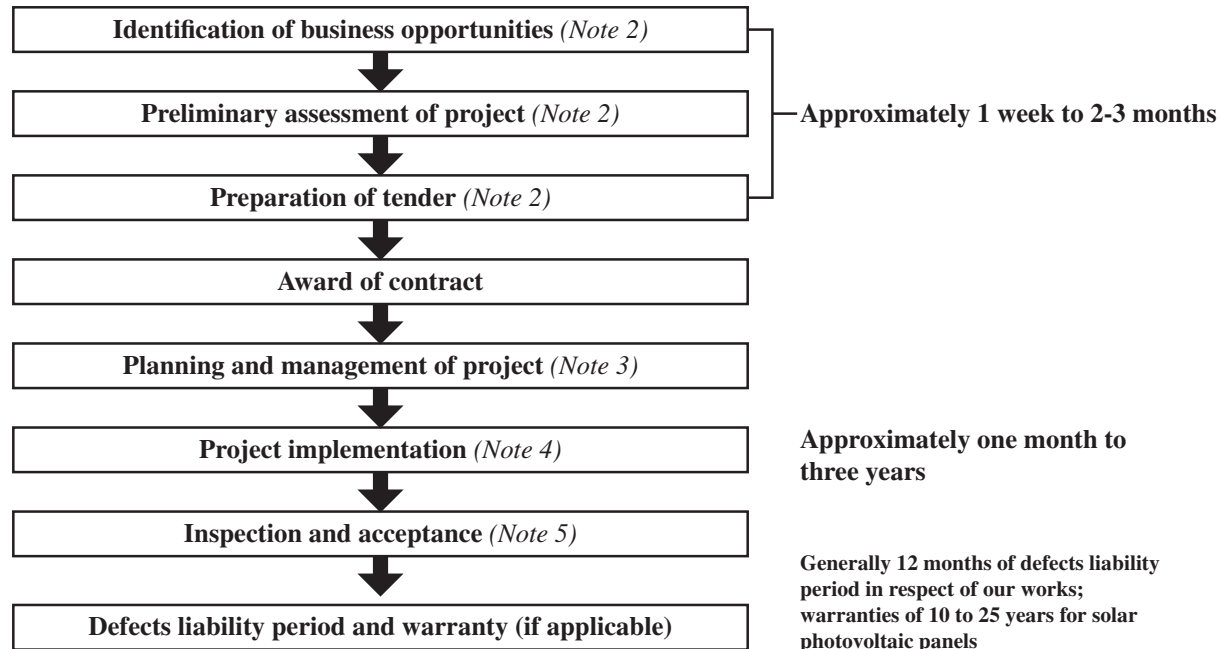


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BUSINESS OPERATIONS

Operation flow

Set out below is a flowchart summarising the principal steps of our business operations (*Note 1*):



Notes:

1. The timeframe is calculated on an approximate basis and may vary from project to project depending on the complexity of the project, the requirements of our customers and/or our agreement with our customers on the timeframe for the principal steps.
2. Such step is handled by our employees in our office.
3. Such step is handled by our project management team which comprises project manager, site agent, engineer, quantity surveyor, site foreman, safety supervisor and safety officer (as the case may be). They may carry out project planning and management works in our office, at the work sites, or in the office of the main contractor/project owner depending on our customers' requests or practical need.
4. Such step may be performed by our direct labour or our subcontractors at the work sites, depending on our capability, resources level, cost effectiveness and the complexity of the project.
5. Such step is handled by our project management team and our customers at the work sites.

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Identification of business opportunities

We identify potential projects mainly through invitation for tenders from customers. Our Group has from time to time received invitations to submit tenders from our customers, who are primarily main contractors of construction projects in Hong Kong. Sometimes our customers would seek pre-bid quotation from our Group before they submit their tenders for the main contract. If these customers are subsequently awarded with the project, they would generally engage us to perform the civil engineering, electrical cable engineering and/or solar PV system works involved in such project. Please refer to the paragraph headed “Sales and marketing” below in this section for further details.

For public sector projects in which we act as main contractor, we identify potential projects from publications on the websites of different Government departments. We may also receive invitations from different Government departments to submit tenders since we are registered on the List of Approved Contractors for Public Works maintained by the Development Bureau under Group A on probation of the Roads and Drainage category.

Preliminary assessment of the project

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

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

Preparation of tender

Our quantity surveyors and executive Directors are primarily responsible for the preparation of tender submission. We may conduct site visit to the place at which the project is to be undertaken so as to have a better assessment of the complexity of the works involved. In formulating our tendering strategy, our Directors take into account factors including (i) the progress and expected completion date of our existing and, in particular, sizeable projects on hand; (ii) the value of backlog; and (iii) the capacity of our direct labour and machinery. For example, our key project in terms of contract sum and revenue contribution, namely Project No. #01, was substantially completed towards the end of FY2021/22, which meant that we were in need to build up our project portfolio and to utilise the capacity of our direct labour and machinery to be released following the completion of Project No. #01. As such, we adopted a more price

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competitive approach in respect of the tenders submitted during FY2021/22 and as a result our tender success rate for FY2021/22 was higher than other financial years in the Track Record Period. For details of our tender success rate during the Track Record Period, please refer to the paragraph headed “Award of contract” in this section below.

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

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

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

Award of contract

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

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

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

	FY2021/22	FY2022/23	FY2023/24
Number of projects for which we have submitted tenders	56	74	62
— <i>Public sector</i>	54	66	42
— <i>Private sector</i>	2	8	20
Number of projects awarded	19	21	18
— <i>Public sector</i>	19	18	15
— <i>Private sector</i>	—	3	3
Overall tender success rate (%) ^(Note 1)	33.9	28.4	29.0 ^(Note 2)
— <i>Public sector (%)</i>	35.2	27.3	35.7
— <i>Private sector (%)</i>	0.0	37.5	15.0

Notes:

1. In the above table, success rate for a financial year is calculated based on the number of projects awarded (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.
2. Out of the 62 projects tendered during FY2023/24, the tender results of 51 projects were still pending as at the Latest Practicable Date.

Our tender success rate decreased from approximately 33.9% for FY2021/22 to approximately 28.4% for FY2022/23 and remained relatively stable at approximately 29.0% for FY2023/24. The slight decrease in our overall tender success rate from FY2021/22 to FY2022/23 was mainly because (i) considering that Project No. #01 would be substantially completed towards the end of FY2021/22, our Company took the view to strive to increase the likelihood of successful tender by adopting a more price competitive approach in respect of the tenders submitted during FY2021/22, thereby strengthening our project portfolio; and (ii) during FY2022/23 we submitted more tenders (FY2021/22: 56; FY2022/23: 74) with a view to further build up our projects portfolio.

During the Track Record Period, our service revenue was mainly contributed by public sector projects in terms of amount and number of projects, and our service revenue from private sector projects was mainly contributed by the Master Agreement A and the Master Agreement B which are both fixed-term contracts. Considering the market outlook and competitive landscape of the construction industry in Hong Kong, our Directors took the view to focus more on public sector projects than private sector projects during the Track Record Period. For example, according to the Industry Report, government spending on infrastructure has demonstrated stability, increasing at a CAGR of approximately 0.7% from approximately HK\$85.6 billion in 2018 to approximately HK\$88.7 billion in 2023, and the Government intends to maintain its commitment to infrastructure

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investment, as stated in the 2024/2025 Budget Speech, and it is projected that annual capital works expenditures will increase to approximately HK\$106.1 billion in 2024/2025 representing an increase of approximately 13.5% from approximately HK\$93.3 billion in 2018/2019. As such, the number of public sector projects for which we submitted tenders and the number of public sector projects we were awarded during the Track Record Period were greater than that for private sector projects, and our tender success rate for public sector projects was more representative than our private sector projects. Nonetheless, during FY2023/24, we were awarded a key private sector project, namely Project No. #11, with contract sum of approximately HK\$27.4 million, which is one of our material on-going projects as at the Latest Practicable Date.

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

Formation of project management team

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

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

- our project manager is mainly responsible for preparing and monitoring the master programme, supervising the work of other members of the project team, reviewing the progress report and liaising with customers or the project consultant, suppliers and subcontractors. The project manager plays a key management supervisory role in keeping a project on track. Our project manager also keeps abreast of statutory requirements and provides guidance on dealing with technical and complicated issues,

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executes instructions from the customer and deals with progress certification issues. On an ongoing basis, our project manager reports directly to our executive Directors for the projects he oversees;

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

Project implementation

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

We maintain a pool of site workers who are capable of undertaking different types of construction works. Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project to our subcontractors

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on our Group's approved list of subcontractors. Our project management team holds regular meetings with our subcontractors and conducts regular inspection to ensure that we strictly adhere to the project schedule and specifications.

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

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

We generally receive progress payments on a monthly basis from our customers based on our works done throughout project implementation. For our projects engaged by the CLP Group, we receive final payment from the CLP Group upon completion of works under the project (in respect of works which are project-based) or each work order (in respect of works which are term contract based) instead of progress payments. According to the Industry Report, the payment arrangements with the CLP Group is in line with the industry practice of the electrical cable engineering. For further details on the payment terms, please refer to the paragraph headed "Our customers — Principal terms of engagement — Payment terms" and "Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works" in this section.

Inspection and acceptance

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

Defects liability period and warranty (if applicable)

Our contracts generally include a defects liability period of 12 months, following the completion of the relevant site works. For projects in which we act as a subcontractor, if so requested by our customers, our contracts may include a defects liability period following the terms of the main contract on back-to-back basis. During the defects liability period, we are

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typically required to rectify any defect without delay at our own cost if the defect is due to non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation.

In respect of projects for supply and installation of PV systems, we may provide a 1-year warranty on material and workmanship, while the supplier of the solar PV panels may provide a 25-year warranty on power output for solar PV panels.

According to the Industry Report, our Group’s defects liability period is in line with the industry norm.

Leasing of machinery and trading of construction materials

To a limited extent, we leased machinery and traded construction materials to contractors and subcontractors on an ad hoc basis during the Track Record Period, which were ancillary to our construction services.

For instance, in the infrastructure project at the third runway of the Hong Kong International Airport (i.e. Project No. #01), we leased equipment such as excavators, crawler cranes and crane lorries for site works to the contractor. In the same project, we supplied construction materials such as uPVC pipes to the contractor.

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by types of works

We provide civil, electrical cable engineering and solar PV system works to our customers. The following table sets forth a breakdown of our service revenue by types of works during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Civil engineering:	278,276	63.4	175,411	51.8	365,454	69.9
— Site formation works	263,022	59.9	114,596	33.8	309,429	59.2
— Road and drainage works	15,254	3.5	60,815	18.0	56,025	10.7
Electrical cable engineering	127,638	29.1	125,409	37.0	113,244	21.6
Solar PV system	32,907	7.5	38,043	11.2	44,308	8.5
Total service revenue	438,821	100	338,863	100	523,006	100

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During the Track Record Period, the Third Runway Projects have been a main driver of our business and financial performance. For instance, the Third Runway Projects in aggregate contributed service revenue of approximately HK\$254.6 million, HK\$92.7 million and HK\$241.2 million for FY2021/22, FY2022/23 and FY2023/24, respectively, representing approximately 58.0%, 27.4% and 46.1% of our total service revenue for the corresponding financial years.

Notwithstanding it is reported that the third runway of the Hong Kong International Airport is scheduled for completion in 2024, the scope of our Group's involvement in the Third Runway Projects covers more than just the runway itself. This includes, among others, the passenger terminal building, airport apron, and underground works for cable ducting systems, fire service water plumbing, sewerage, oil separation, and seawater cooling discharge systems which require footings and steel structure works to be performed by our Group which are still under construction. Currently, our Third Runway Projects are expected to complete by mid-2025.

In May 2024, our Group was first included on the List of Pre-Qualified Tenderers for Civil Engineering Works of Hong Kong International Airport, enabling our Group to bid for tender projects as main contractors. It is AAHK's policy that all projects must go through a robust and prudent procurement process and adoption of the most appropriate procurement strategies and methods. Such procurement methods may include competitive tendering or limited tendering with the objective to identify the best fit suppliers and obtain the best value of money. To the best knowledge of our Directors, (i) the invitation to tender of all AAHK's projects would be issued and posted on AAHK's website and be accessible by the public, save for minor civil engineering works with value not exceeding HK\$50 million; and (ii) the invitation to tender for AAHK's minor civil engineering works with value not exceeding HK\$50 million would only be sent to or be available for downloading at the ePROS (which is an e-tendering system maintained by AAHK to automate the procurement and tendering process) for contractors which have been included on the List of Pre-Qualified Tenderers for Civil Engineering Works. Since the said inclusion, our Group has received three invitations from AAHK to submit tenders for works involving cabling infrastructure for enterprise 5G enhancement, enabling works for airside access of transit mail centres, and modification works in North and South Aircraft Recovery Equipment Stores, respectively, in August 2024. As of 21 September 2024, (i) our Group has already submitted tender documents on 9 September 2024 via ePROS for one of the tenders; and (ii) the submission period of the other two tenders has not yet lapsed and our Group is in the process of preparing the tender documents for submission. Hence, upon the expected completion of the Third Runway Projects in mid-2025, our Group will also be eligible to submit tenders for various maintenance and upkeep works at the Hong Kong International Airport. In fact, according to AAHK's Annual Report 2023/24, the expenses related to repairs and maintenance, as well as the costs of outsourcing business operations to third-party contractors was approximately HK\$2.33 billion, accounting for approximately 28.1% of AAHK's total operating expenses in FY2023/24. The said sum has increased by appropriately 19.8% as compared to that of the previous financial year, which shows

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the trend of AAHK to increase its investment in repairs and maintenance of the Hong Kong International Airport in recent years. In addition, our Group is currently in advanced or final stage of negotiation for some projects for which we have submitted tender (the details of which are set out in the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document). Having considered the above, our Directors consider that the completion of the Third Runway Projects by mid-2025 will not have a material adverse impact on our Group’s business prospects.

For detailed analysis on fluctuation of our service revenue, please refer to the paragraph headed “Financial Information — Principal components of the combined statements of profit or loss — Revenue” in this document.

Revenue by project sectors

During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. To a lesser extent, we were also engaged in private sector projects in Hong Kong. Public sector projects refer to projects of which the project owners are Government departments and statutory bodies, while private sector projects refer to projects that are not public sector projects. The customers of our private sector projects were main contractors engaged under such projects or the project owners such as the CLP Group. Our public sector projects mainly involved infrastructure and public facilities developments as well as public residential developments. The customers of our public sector projects included various Government departments and main contractors engaged under such projects in which the project owners are Government departments or statutory bodies.

The following table sets forth a breakdown of our service revenue during the Track Record Period by reference to project sectors:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	288,036	65.6	197,743	58.4	382,976	73.2
Private sector	150,785	34.4	141,120	41.6	140,030	26.8
Total service revenue	438,821	100	338,863	100	523,006	100

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Revenue by our role

We undertook projects as both main contractor and subcontractor during the Track Record Period. The table below sets forth a breakdown of our revenue by reference to our role in the projects during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	17,353	4.0	63,078	18.6	58,136	11.1
Subcontractor ^(Note)	421,468	96.0	275,785	81.4	464,870	88.9
Total service revenue	438,821	100	338,863	100	523,006	100

Note: In respect of the Master Agreement A with CLPe Solutions Limited, we are the subcontractor in which CLPe Solutions Limited is a company within the CLP Group. Our revenue attributable to the Master Agreement A amounted to approximately HK\$70.3 million, HK\$79.3 million and HK\$81.4 million for FY2021/22, FY2022/23 and FY2023/24, respectively.

Number of projects by range of service revenue recognised

For FY2021/22, FY2022/23 and FY2023/24, there were 43, 59 and 73 projects which contributed a total of approximately HK\$438.8 million, HK\$338.9 million and HK\$523.0 million to our service revenue, respectively. Set out below is a breakdown of our projects based on their respective range of service revenue recognised during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
	No. of projects	No. of projects	No. of projects
Revenue recognised			
HK\$100 million or above	1	—	1
HK\$50 million to below HK\$100 million . .	—	1	1
HK\$10 million to below HK\$50 million . . .	8	8	10
HK\$1 million to HK\$10 million	11	19	18
Below HK\$1 million	23	31	43
Total	43	59	73

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Top projects undertaken during the Track Record Period

The following table sets out the details of our top five projects for each of FY2021/22, FY2022/23 and FY2023/24 in terms of revenue contribution to our Group:

FY2021/22

Rank	Project No.	Customers ^(Note 1)	Contract sum ^(Note 2)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works ^(Note 5)	Revenue (percentage of total revenue recognised for the year)			Estimated revenue to be recognised after the Track Record Period ^(Note 6)			
									FY2021/22		FY2022/23		FY2023/24		
									HK\$'000	%	HK\$'000		%	HK\$'000	%
1	#01	Customer A, Customer C, Customer E, Customer J	HK\$'000 390,371	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: October 2019 Completion: June 2022	48.9	60,600	16.8	—	HK\$'000		
2	#02	Kum Shing Construction	N/A ^(Note 3)	Private	Tsuen Wan	Cable trenching, laying and jointing works	Subcontractor	Commencement: March 2021 Completion: Ongoing	8.3	44,221	12.2	31,752	6.0	N/A ^(Note 3)	
3	#03	CLPe Solutions Limited	N/A ^(Note 3)	Private	Sham Shui Po	Cable trenching, laying and jointing works	Subcontractor ^(Note 4)	Commencement: December 2020 Completion: Ongoing	7.3	22,757	6.3	20,268	3.9	N/A ^(Note 3)	
4	#04	CLPe Solutions Limited	N/A ^(Note 3)	Private	Wong Tai Sin	Cable trenching, laying and jointing works	Subcontractor ^(Note 4)	Commencement: December 2020 Completion: Ongoing	5.1	49,429	13.7	55,631	10.6	N/A ^(Note 3)	

BUSINESS

Rank	Project No.	Customers ^(Note 1)	Contract sum ^(Note 2)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works ^(Note 5)	Revenue (percentage of total revenue recognised for the year)			Estimated revenue to be recognised after the Track Record Period ^(Note 6)	
									FY2021/22	FY2022/23	FY2023/24		
5	#05	Customer F	HK\$'000 29,998	Public	At the locations of various schools and non-governmental organisations	Solar PV system works	Subcontractor	Commencement: September 2020 Completion: September 2022	HK\$'000 15,718	% 3.0	HK\$'000 2,463	% 0.7	HK\$'000 —
Total for FY2021/22									378,047	72.6			

Notes:

1. Please refer to the paragraph headed “Our customers — Top customers” in this section.
2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
3. The total fixed contract sum is not specified in Master Agreement A and Master Agreement B. Instead, Master Agreement A and Master Agreement B contain a schedule of rates which sets out the standard rates for different types of works, and the contract sum for each work order under Master Agreement A and Master Agreement B is calculated based on the agreed unit price in the schedule of rates (subject to adjustment mechanism) and the actual amount of work carried out by our Group. For details of Master Agreement A and Master Agreement B, please refer to the paragraph headed “Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section.
4. We are directly contracted by CLPe Solutions Limited as subcontractor in which CLPe Solutions Limited is a company within the CLP Group.
5. Our project may comprise a number of contracts. The commencement date refers to the earliest commencement date of the contracts within the project. The completion date refers to the latest completion date of the contracts within the project.
6. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less cumulative revenue recognised up to the end of the Track Record Period.

BUSINESS

FY2022/23

Rank	Project No.	Customers ^(Note 1)	Contract sum ^(Note 2)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works ^(Note 5)	Revenue (percentage of total revenue recognised for the year)						Estimated revenue to be recognised after the Track Record Period ^(Note 6)
									FY2021/22		FY2022/23		FY2023/24		
									HKS'000	%	HKS'000	%	HKS'000	%	
1	#01	Customer A, Customer C, Customer E, Customer J	HKS'000 390,371	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: October 2019 Completion: 28 June 2022	254,576	48.9	60,600	16.8	—	—	HKS'000
2	#04	CLPe Solutions Limited	N/A ^(Note 3)	Private	Wong Tai Sin	Cable trenching, laying and jointing works	Subcontractor ^(Note 4)	Commencement: December 2020 Completion: Ongoing	26,312	5.1	49,429	13.7	55,631	10.6	N/A ^(Note 3)
3	#02	Kum Shing Construction	N/A ^(Note 3)	Private	Tsuen Wan	Cable trenching, laying and jointing works	Subcontractor	Commencement: March 2021 Completion: Ongoing	43,201	8.3	44,221	12.2	31,752	6.0	N/A ^(Note 3)
4	#06	Government Department A	99,065	Public	Mui Wo	Road and drainage works	Main contractor	Commencement: November 2021 Completion: Ongoing	3,729	0.7	26,056	7.2	32,903	6.3	36,377
5	#03	CLPe Solutions Limited	N/A ^(Note 3)	Private	Sham Shui Po	Cable trenching, laying and jointing works	Subcontractor ^(Note 4)	Commencement: March 2021 Completion: Ongoing	38,239	7.3	22,757	6.3	20,268	3.9	N/A ^(Note 3)
Total for FY2022/2023									203,063		56.2				

BUSINESS

Notes:

1. Please refer to the paragraph headed “Our customers — Top customers” in this section.
2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
3. The total fixed contract sum is not specified in Master Agreement A and Master Agreement B. Instead, Master Agreement A and Master Agreement B contain a schedule of rates which sets out the standard rates for different types of works, and the contract sum for each work order under Master Agreement A and Master Agreement B is calculated based on the agreed unit price in the schedule of rates (subject to adjustment mechanism) and the actual amount of work carried out by our Group. For details of Master Agreement A and Master Agreement B, please refer to the paragraph headed “Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section.
4. We are directly contracted by CLPe Solutions Limited as subcontractor in which CLPe Solutions Limited is a company within the CLP Group.
5. Our project may comprise a number of contracts. The commencement date refers to the earliest commencement date of the contracts within the project. The completion date refers to the latest completion date of the contracts within the project.
6. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less cumulative revenue recognised up to the end of the Track Record Period.

BUSINESS

FY2023/24

Rank	Project No.	Customer ^(Note 1)	Contract sum ^(Note 2)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works ^(Note 5)	Revenue (percentage of total revenue recognised for the year)						Estimated revenue to be recognised after the Track Record Period ^(Note 6)
									FY2021/22		FY2022/23		FY2023/24		
									HKS'000	%	HKS'000	%	HKS'000	%	
1	#07	Customer G	HKS'000 577,132	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: December 2022 Completion: Ongoing	N/A	N/A	9,747	2.7	171,584	32.6	HKS'000 395,801
2	#04	CLPe Solutions Limited	N/A ^(Note 3)	Private	Wong Tai Sin	Cable trenching, laying and jointing works	Subcontractor ^(Note 4)	Commencement: December 2020 Completion: Ongoing	26,312	5.1	49,429	13.7	55,631	10.6	N/A ^(Note 3)
3	#08	Wing Hing Construction Company Limited	189,178	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: July 2022 Completion: Ongoing	N/A	N/A	7,295	2.0	43,721	8.3	138,163
4	#06	Government Department A	99,065	Public	Mui Wo	Road and drainage works	Main contractor	Commencement: November 2021 Completion: Ongoing	3,729	0.7	26,056	7.2	32,903	6.3	43,627
5	#02	Kum Shing Construction	N/A ^(Note 3)	Private	Tsuen Wan	Cable trenching, laying and jointing works	Subcontractor	Commencement: March 2021 Completion: Ongoing	43,201	8.3	44,221	12.2	31,752	6.0	N/A ^(Note 3)
Total for FY2023/24											335,591		63.8		

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Notes:

1. Please refer to the paragraph headed “Our customers — Top customers” in this section.
2. The contract sum shown in the above table represents the adjusted contract sum taken into account the actual work orders on re-measurement basis and variation orders received by our Group as at the Latest Practicable Date.
3. The total fixed contract sum is not specified in the Master Agreement A and Master Agreement B. Instead, the Master Agreement A and Master Agreement B contain a schedule of rates which sets out the standard rates for different types of works, and the contract sum for each work order under the Master Agreement A is calculated based on the agreed unit price in the schedule of rates (subject to adjustment mechanism) and the actual amount of work carried out by our Group. For details of the Master Agreement A and Master Agreement B, please refer to the paragraph headed “Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section.
4. We are directly contracted by CLPe Solutions Limited as subcontractor in which CLPe Solutions Limited is a company within the CLP Group.
5. Our project may comprise a number of contracts. The commencement date refers to the earliest commencement date of the contracts within the project. The completion date refers to the latest completion date of the contracts within the project.
6. The estimated revenue to be recognised after the Track Record Period is calculated based on the adjusted contract sum less cumulative revenue recognised up to the end of the Track Record Period.

BUSINESS

Backlog

The following table sets out movement in the number of our projects during the Track Record Period and up to 31 July 2024:

	FY2021/22	FY2022/23	FY2023/24	From 1 April 2024 up to 31 July 2024
Opening number of projects ^(Note 1)	15	27	32	24
Add: Number of new projects awarded to us ^(Note 2)	27	32	29	9
Less: Number of projects completed ^(Note 3)	(15)	(27)	(37)	(6)
Ending number of projects^(Note 4)	27	32	24	27

Notes:

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

Considering that Project No. #01 would be substantially completed towards the end of FY2021/22, we took the view to strive to increase the likelihood of successful tenders by adopting a more price competitive approach in respect of the tenders submitted during FY2021/22 thereby strengthening our project portfolio, and as a result the number of our new projects awarded increased from 27 for FY2021/22 to 32 for FY2022/23 (including our key projects, namely Project No. #07 and Project No. #08). In balancing our resources to undertake the abovementioned new key projects and our capacity to take up other additional new projects, we lowered the number of tenders submitted during FY2023/24 resulting in the decrease in the number of projects awarded during the same financial year.

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The following table sets forth the movement in the value of backlog of our projects (excluding the Master Agreement A, the Master Agreement B and the Master Agreement C) during the Track Record Period and up to 31 July 2024:

	FY2021/22	FY2022/23	FY2023/24	From 1 April 2024 up to 31 July 2024
	<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.	120,651	221,364	722,016	707,582
Add: Total value of contract works awarded during the relevant year/period ^(Note 1)	414,793	715,962	395,427	340,147
Less: Total service revenue recognised during the relevant year/period.	<u>(314,080)</u>	<u>(215,310)</u>	<u>(409,861)</u>	<u>(232,278)</u>
Ending value of backlog to be carried forward to the next year/period <i>(Notes 2 and 3)</i>	<u>221,364</u>	<u>722,016</u>	<u>707,582</u>	<u>815,451</u>

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 service 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.
3. For details of the major projects constituting our backlog value as at 31 July 2024, please refer to the paragraph headed “Projects on hand” in this section below.

As at 31 March 2024, our backlog value comprised (i) approximately HK\$657.2 million in respect of site formation works; (ii) approximately HK\$45.6 million in respect of road and drainage works; and (iii) approximately HK\$4.8 million in respect of solar PV system works.

Our backlog value increased significantly from approximately HK\$221.4 million as at 31 March 2022 to approximately HK\$722.0 million as at 31 March 2023. Such significant increase was mainly due to (i) the addition of value of contract works for key projects awarded during FY2022/23 including Project No. #07 and Project No. #08; and (ii) the decrease in service revenue recognised for FY2022/23, which was mainly because one of our Third Runway Projects, namely,

BUSINESS

Project No. #01, was substantially completed towards the end of FY2021/22 and as a result contributed a substantially lower amount of service revenue for FY2022/23. Our backlog value then remained relatively stable at approximately HK\$707.6 million as at 31 March 2024, in which the addition of value of contact works for projects awarded during FY2023/24 (including Project No. #10, Project No. #11 and Project No. #13) roughly outweighed the service revenue recognised during the same financial year.

For detailed analysis of fluctuation of our service revenue during the Track Record Period, please refer to the paragraph headed “Financial Information — Principal components of the combined statements of profit or loss — Revenue” in this document.

The Master Agreement A, the Master Agreement B and the Master Agreement C are not included in our backlog value in the above table as the total fixed contract sum is not specified in the agreements. Instead, the Master Agreement A, the Master Agreement B and the Master Agreement C contain a schedule of rates which sets out the standard rates for different types of works, and the contract sum for each work order under the Master Agreement A, the Master Agreement B and the Master Agreement C is calculated based on the agreed unit price in the schedule of rates and the actual amount of work carried out by our Group. Although Master Agreement C stated an estimated total work amount of HK\$225 million, such amount was only an indicative estimation and was not a fixed contract sum because the amount of fees that our Group was entitled to charge under the Master Agreement C depended on the actual amount of work carried out, rather than as a fixed lump sum that our Group would be entitled to charge for carrying out the specified works as in a standard construction contract. For details of the Master Agreement A and the Master Agreement B, please refer to the paragraph headed “Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this section. The following table sets forth the amount of service revenue recognised attributable to the Master Agreement A, the Master Agreement B and the Master Agreement C during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Service revenue attributable to:			
Master Agreement A	70,306	79,332	81,392
Master Agreement B ^(Note 1)	43,201	44,221	31,752
Master Agreement C ^(Note 2)	11,235	—	—
Total	124,742	123,553	113,144

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Notes:

1. Service revenue attributable to the Master Agreement B decreased from approximately HK\$44.2 million for FY2022/23 to approximately HK\$31.8 million for FY2023/24. Such decrease was mainly due to two large-scale work orders issued with an accumulated order value exceeding HK\$10 million each, namely a renovation work project for a road in Tsing Yi and a large-scale power substation overhaul project in Kwai Chung, during FY2021/22 and FY2022/23, thereby resulting in an increase in the overall order values under the Master Agreement B for FY2021/22 and FY2022/23. According to the Industry Report, the Urban Renewal Authority has explored to re-plan, renovate and revitalise old districts including Tsuen Wan in the foreseeable future, coupled with the Government’s plan in promoting electric vehicles and installing fast charging facilities in districts including Tsuen Wan, our Directors are of the view that the decreasing trend of service revenue attributable to the Master Agreement B is not expected to continue in FY2024/25.
2. Since the service revenue attributable to the Master Agreement C only amounted to HK\$11.2 million for FY2021/22, which was substantially lower than the aggregate service revenue attributable to the Master Agreement A and the Master Agreement B of approximately HK\$113.5 million for FY2021/22, our Directors considered that it was not economically justified to devote resources and reserve a designated pool of direct labour and machinery for provision of services under the Master Agreement C. In light of the above, our Group and the main contractor under the Master Agreement C (which does not belong to the CLP Group) had reached a mutual understanding that parties would not further perform the Master Agreement C in practice since FY2022/23. Starting from FY2022/23, the main contractor of the Master Agreement C had not issued to our Group any work orders and our Group had not requested for or accepted any work orders under the Master Agreement C. As a result, no service revenue was recognised under the Master Agreement C for both FY2022/23 and FY2023/24. Our Directors confirmed that there has been no dispute or claim lodged by or against our Group in relation to the Master Agreement C. For details of the salient terms of the Master Agreement C, please refer to the paragraph headed “Business — Our customers — Master Agreement C” in this document.

BUSINESS

PROJECTS ON HAND

As at 31 July 2024, our Group had 27 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced). The following table sets out the details of our material on-going projects with contract sum over HK\$10 million (excluding the Master Agreement A and the Master Agreement B) as at 31 July 2024:

Project No.	Customer	Contract sum (Note 1)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works (Note 2)	Revenue recognised during the Track Record Period			Estimated revenue to be recognised after the Track Record Period (Note 3)
								FY2021/22	FY2022/23	FY2023/24	
#07	Customer G	577,132	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: December 2022 Completion: June 2025	HK\$'000	HK\$'000	HK\$'000	395,801
#08	Wing Hing Construction Company Limited	189,178	Public	Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: July 2022 Completion: January 2025	N/A	7,295	43,721	138,163
#06	Government Department A	99,065	Public	Mui Wo	Road and drainage works	Main contractor	Commencement: November 2021 Completion: June 2025	3,729	26,056	32,903	36,377
#09	China Road and Bridge Corporation	29,687	Public	Siu Ho Wan	Civil engineering works	Subcontractor	Commencement: June 2022 Completion: September 2024	N/A	5,667	19,455	4,565

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Project No.	Customer	Contract sum (Note 1)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works (Note 2)	Revenue recognised during the Track Record Period			Estimated revenue to be recognised after the Track Record Period (Note 3)
								FY2021/22	FY2022/23	FY2023/24	
								HK\$'000	HK\$'000	HK\$'000	
#10	China Road and Bridge Corporation	60,750	Public	Yuen Long	Site formation works	Subcontractor	Commencement: June 2023 Completion: November 2027	N/A	N/A	17,885	42,865
#11	Customer K	27,444	Private	Sai Sha Road	Civil engineering works	Subcontractor	Commencement: 16 January 2024 Completion: October 2024	N/A	N/A	2,995	24,449
#12	Customer F	32,106	Public	At the locations of various schools and non-governmental organisations	Solar PV system works	Subcontractor	Commencement: 1 September 2022 Completion: August 2024	N/A	18,672	12,792	642
#13	Customer L	57,067	Public	Automatic people mover (APM) and baggage handling system (BHS) tunnels at the Hong Kong International Airport	Civil engineering works	Subcontractor	Commencement: 1 April 2024 Completion: March 2026	N/A	N/A	N/A	57,067
#14	Customer M	49,222	Private	Fanling; Yuen Long; Diamond Hill and Yau Ma Tei	Substations refurbishment	Main contractor	Commencement: May 2024 Completion: December 2024	N/A	N/A	N/A	49,222

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Project No.	Customer	Contract sum (Note 1)	Project sector	Location of the project	Type of works	Our role	Date of commencement and completion of our works (Note 2)	Revenue recognised during the Track Record Period			Estimated revenue to be recognised after the Track Record Period (Note 3)
								FY2021/22	FY2022/23	FY2023/24	
T01	Customer L	HK\$'000 266,432	Private	Kowloon City	Site formation works	Subcontractor	Commencement: July 2025 Completion: July 2027	HK\$'000 N/A	HK\$'000 N/A	HK\$'000 266,432	

Notes:

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

BUSINESS

OUR CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers mainly included construction and/or infrastructure contractors (including joint ventures formed by the construction and/or infrastructure contractors), the CLP Group and its main contractors, and various Government departments. For instance, for FY2023/24, approximately 70.9%, 16.9% and 10.8% of our total revenue was contributed by construction contractors (including joint ventures formed by construction contractors), the CLP Group and Government departments, respectively. For FY2021/22, FY2022/23 and FY2023/24, the number of our customers was 30, 27 and 30 customers, respectively. During the Track Record Period, all of our customers were located in Hong Kong and our revenue was denominated in Hong Kong dollars.

Principal terms of engagement

During the Track Record Period, we undertook some of our electrical cable engineering works and all of our civil engineering works on a project-by-project basis. For our solar PV works, we undertook works on a project-by-project basis, as well as providing maintenance services on an annual basis. Our executive Directors consider such arrangement is in line with the civil and electrical cable engineering works industry practice in Hong Kong. Our customers generally confirm our engagement by issuing a letter of award or entering into a formal contract with us. The principal terms of our engagement with customers are summarised as follows:

Scope of works

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

Duration

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

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Contract sum

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

Payment terms

Our Group generally submits a progress payment application to our customer on a monthly basis with reference to the amount of works completed. Upon receiving our payment application for progress payments, our customer will examine and certify our works done by issuing a payment certificate to us. The credit term granted by us to our customers is generally 7 to 60 days from the issue of payment certificate.

Our Group adopted various internal policies and procedures to manage and enhance collection of trade receivables and unbilled revenue. These internal policies and procedures include (i) submitting progress payment applications to our customers on a monthly or regular basis with reference to the amount of works completed to avoid unnecessary delay in billing; (ii) maintaining a list of bills issued for each project and regularly updating the status and amount of funds received for each bill; (iii) compiling trade receivable ageing report on a monthly basis; (iv) reporting to chief financial officer and relevant project-in-charge in respect of bills that remain outstanding for over 90 days and instructing relevant project managers to closely follow up with clients for settlement of the outstanding bills; and (v) reporting to project-in-charge and our Directors the reasons for bills that remain outstanding for over 180 days and convening meetings to discuss and implement appropriate debt collection measures.

Insurance

In projects where we act as the main contractor, we are generally responsible for taking out all necessary insurances for us and our subcontractors, such as contractors' all risk insurance and employees' compensation insurance. In other projects where we act as a subcontractor, the main contractors would normally take out the aforesaid insurance policies covering their own liabilities as well as our liabilities.

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Procurement of materials

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

Defects liability period and warranty (if applicable)

Our contracts generally include a defects liability period of 12 months, following completion of the relevant works. For projects in which we act as subcontractor, if so requested by our customers, our contracts may include a defects liability period following the terms of the main contract on back-to-back basis. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation.

In respect of projects for supply and installation of PV systems, we may provide a 1-year warranty on material and workmanship, while the supplier of the solar PV panels may provide a 25-year warranty on power output for solar PV panels.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) our Group had not undertaken any major rectification works during the defects liability period, and (ii) none of our customers had lodged any material complaint against our Group.

Indemnification for underperformance

We are in general contractually obliged to indemnify the main contractors for our Group's underperformance, which has not occurred during the Track Record Period and up to the Latest Practicable Date.

Retention monies

Depending on the contract terms, our customers may hold up a certain percentage of each payment made to us as retention monies. Our customers may withhold up to 10% of each of our progress payment as retention monies and subject to a cap of 5% of the total contract sum.

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Depending on the contract terms, half of the retention monies are generally released upon completion of our works to the satisfaction of the main contractor or project owner. The remaining half are generally released upon expiry of the defects liability period of the relevant contracts. Alternatively, the retention monies are released pursuant to the terms of the main contracts on back-to-back basis.

The following table sets forth the amounts of retention monies incurred by and released to our Group during the Track Record Period and up to 31 July 2024.

	<u>FY2021/22</u>	<u>FY2022/23</u>	<u>FY2023/24</u>	<u>Period from 1 April 2024 to 31 July 2024</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention monies incurred	780	6,438	13,179	14,924
Retention monies released	3,064	7,358	3,247	3,030

As at 31 March 2022, 31 March 2023 and 31 March 2024, our gross retention receivables amounted to approximately HK\$7.4 million, HK\$6.4 million and HK\$16.5 million, respectively. The gross retention receivables of HK\$16.5 million as at 31 March 2024 was mainly attributable to the Third Runway Projects. Please refer to the paragraph headed “Financial Information — Description of certain line items in the combined statements of financial position — Contract assets and liabilities” in this document for a further discussion and analysis regarding our retention receivables.

To the best knowledge and information of our Directors, there was no late release of retention monies by our Group during the Track Record Period and up to the Latest Practicable Date.

Variation orders

A variation order may vary the original scope of work. Our customers may request addition or alteration of works beyond the scope of the contract during project implementation. Where the works under the variation order are the same or similar to the works prescribed in the contract, the rate of the works under the variation order is usually similar with that of the contract. If there are no equivalent or similar items under the contract for reference, we will further agree on the rates with our customers. A variation order is usually placed by way of a purchase order by our customers describing the detailed works to be performed under such variation order.

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The following table sets forth the details of the significant variation orders in respect of our top five projects during the Track Record Period and our material on-going projects on hand as at 31 July 2024 with contract sum over HK\$10 million (excluding the Master Agreement A and the Master Agreement B):

Project No.	Type of works	Original contract sum	Contract value of the variation orders				Revised contract sum
			FY2021/22	FY2022/23	FY2023/24	For the period from 1 April 2024 to 31 July 2024	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
#01 ^(Note)	Civil engineering works	311,712	36,262	—	—	—	390,371
#07	Civil engineering works	480,051	N/A	85,819	7,474	10,305	583,649
#09	Civil engineering works	24,297	N/A	3,418	1,972	289	29,976
#10	Site formation works	53,945	N/A	—	6,805	—	60,750

Note: Variation orders with contract value of approximately HK\$42.4 million was awarded prior to the Track Record Period.

Liquidated damages

Liquidated damages clause may be included in the contracts to protect our customers against late completion of work. We may be liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in or in accordance with the contract. Our customer is entitled to recover all additional costs, expenses and losses incurred in connection with our default. None of the liquidated damages, additional costs, expenses or losses is covered by any insurance policies maintained by our Group. During the Track Record Period, there were no material liquidated damages imposed by our customers against us.

Termination

Our customers may terminate our contracts if, among other things, we fail to proceed with the works with due diligence, fail to execute the works in accordance with the contracts, fail to remove defective materials or make good defective work after being instructed by our customers. During the Track Record Period and up to the Latest Practicable Date, none of our contracts were terminated pursuant to the termination clause.

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Master Agreement A and Master Agreement B for electrical cable engineering works

Master Agreement A

We entered into the Master Agreement A on a fixed-term contract basis with CLPe Solutions Limited (as main contractor) for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair, in which CLPe Solutions Limited would issue work orders and instructions to us and we are responsible for performing the works in accordance with such work orders and instructions. The salient terms of the Master Agreement A are set forth below:

Duration of contract and renewal Three years, commencing from 1 December 2020 and expiring on 30 November 2023, subject to renewal. Upon the expiry of the original term, CLPe Solutions Limited may exercise an option to extend the term for up to two years on an annual basis.

Upon the expiry of the original term (i.e. 30 November 2023), CLPe Solutions Limited exercised the renewal option for one year (i.e. until 30 November 2024). Our executive Directors confirm that, as at the Latest Practicable Date, (i) CLPe Solutions Limited has not expressed any indication that CLPe Solutions Limited will not exercise the renewal option for another year; and (ii) we are currently negotiating with CLPe Solutions Limited on a new fixed-term master agreement with a tentative initial term of four years with option to extend the term for up to four years on an annual basis commencing in December 2024.

Scope of works Generally include cable trenching, laying and jointing works as well as emergency and cable fault repair. The details of the scope of works and the specifications are to be set out in the work orders and instructions issued by CLPe Solutions Limited to our Group during the term of the agreement.

Zones Wong Tai Sin and Sham Shui Po zones

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Contract sum	<p>The total fixed contract sum is not specified in the agreement. The fee we are entitled to charge for our works is calculated with reference to standard rates (subject to the contract price adjustment mechanism as explained below) contained in the schedule of rates in the agreement and the work orders and instructions issued by CLPe Solutions Limited. The schedule of rates contains the standard rates for different types of works.</p> <p>The contract sum for each works may be increased or decreased in the event of any fluctuations in the contract sum under the main contract, for the same work order issued by the project owner under the main contract. The contract sum for each works payable to our Group shall be adjusted at the sole discretion of the project owner with reference to the composite consumer price index compiled by the Census and Statistics Department and calculated according to the calculation mechanism specified in the agreement.</p>
Payment terms	<p>Our Group submits final payment application to CLPe Solutions Limited for the works performed by us upon completion of works under each work order. Upon receiving our payment application, CLPe Solutions Limited will issue a payment certificate to us, and make final payment to our Group.</p>
Insurance	<p>CLPe Solutions Limited is responsible for procuring and maintaining contractors' all risk insurance and third party liability insurance as well as employees' compensation insurance for frontline workers.</p>
Defects liability period	<p>During the defects liability period, we are typically required to rectify any defect or imperfection of our works at our own costs unless such defect or imperfection is caused by the act, neglect or default of the project owner, its representative or the CLP Group.</p>
Retention monies	<p>The agreement specifies the maximum amount of retention monies under the agreement. The retention monies are released upon expiry of the defects liability period of the last work order placed under the agreement.</p>

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Termination

CLPe Solutions Limited may terminate the Master Agreement A by serving written notice on our Group in the following circumstances:

- (i) if the employment of CLPe Solutions Limited is determined for any reason before our Group has fully performed our obligations under the Master Agreement A;
- (ii) if our Group:
 - (a) has abandoned the Master Agreement A;
 - (b) without reasonable excuse has failed to commence works pursuant to the Master Agreement A;
 - (c) has suspended the progress of works under the Master Agreement A for seven days after receiving notice in writing from CLPe Solutions Limited to proceed;
 - (d) has failed to comply with an order given to remove work and materials not in accordance with the Master Agreement A after being directed in writing to do so by CLPe Solutions Limited;
 - (e) despite a previous warning in writing, has failed to proceed with the Master Agreement A with due diligence or is persistently in breach of any obligation under the Master Agreement A;
 - (f) has assigned the whole or any part of the benefit of the Master Agreement A or sub-let the whole of the Master Agreement A without the previous written consent of CLPe Solutions Limited;
 - (g) (or our employees or sub-contractors or agents) has committed any act of corruption in connection directly or indirectly with the Master Agreement A or the tender exercise in respect thereof; or

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- (h) commits an act of bankruptcy or enters into a deed of arrangement with our creditors or, goes into liquidation (other than a voluntary liquidation for the purposes of re-construction), or has a receiver appointed for all or part of his undertaking.

Master Agreement B

We entered into the Master Agreement B on a fixed-term contract basis with Kum Shing Construction for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair, in which Kum Shing Construction (as main contractor of the CLP Group) would issue work orders and instructions to us and we are responsible for performing the works in accordance with such work orders and instructions. The salient terms of the Master Agreement B are set forth below:

Duration of contract and renewal Three years, commencing from 1 December 2020 and expiring on 30 November 2023, subject to renewal.

Upon the expiry of the original term, Kum Shing Construction may exercise an option to extend the term for up to two years on an annual basis.

Upon the expiry of the original term (i.e. 30 November 2023), Kum Shing Construction exercised the renewal option for one year (i.e. until 30 November 2024). Our executive Directors confirm that, as at the Latest Practicable Date, (i) Kum Shing Construction has not expressed any indication that Kum Shing Construction will not exercise the renewal option for another year; and (ii) we are currently negotiating with Kum Shing Construction on a new fixed-term master agreement with a tentative initial term of four years with option to extend the term for up to four years on an annual basis commencing in December 2024.

Scope of works Generally include cable trenching, laying and jointing works as well as emergency and cable fault repair. The details of the scope of works and the specifications are to be set out in the work orders and instructions issued by Kum Shing Construction to our Group during the term of the agreement.

Zone Tsuen Wan zone

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Contract sum	The total fixed contract sum is not specified in the agreement. The fee we are entitled to charge for our works is calculated with reference to standard rates (subject to the contract price adjustment mechanism as explained below) contained in the schedule of rates in the agreement and the work orders and instructions issued by Kum Shing Construction. The schedule of rates contains the standard rates for different types of work.
Payment terms	Our Group submits final payment application to Kum Shing Construction for the works performed by us upon completion of works under each work order. Upon receiving our payment application, Kum Shing Construction will issue a payment certificate to us, and make final payment to our Group.
Provision of raw materials	At Kum Shing Construction's discretion and agreement, Kum Shing Construction will provide the raw materials required for the subcontracted works to our Group free of charge, and the quantity of raw materials required shall be determined solely by Kum Shing Construction.
Insurance	Kum Shing Construction is responsible for procuring and maintaining employee's compensation insurance and contractors' all risks insurance.
Defects liability period	During the defects liability period, we are typically required to rectify any defect or imperfection of our works at our own costs unless such defect or imperfection is caused by the act, neglect or default of the project owner, its representative or Kum Shing Construction.
Retention monies	At a rate specified in the agreement of the subcontracting fees paid by Kum Shing Construction.
Termination	<p>Kum Shing Construction may terminate the Master Agreement B by serving written notice on our Group in the following circumstances:</p> <p>(i) if the employment of Kum Shing Construction is determined for any reason before our Group has fully performed our obligations under the Master Agreement B;</p>

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- (ii) if our Group:
 - (a) commits an act of bankruptcy or enters into a deed of arrangement with our creditors or, goes into liquidation (other than a voluntary liquidation for the purposes of re-construction), or allows or permits our properties to be subjects to be taken by the enforcement of laws or equity;
 - (b) fails to diligently carry out the works under the Master Agreement B;
 - (c) fails to perform the works pursuant to the Master Agreement B or any other obligations; or
 - (d) refuses or fails to remove defective materials or rectify defective works,

and the aforesaid situation(s) continues after 10 days from the date of written notice served by Kum Shing Construction; or

Kum Shing Construction may also, without providing any reason, terminate the Master Agreement B by serving a 14-day notice in writing.

Exclusivity for works under the Master Agreement A and Master Agreement B

We are the only direct subcontractor of CLPe Solutions Limited and Kum Shing Construction (both as main contractor) for the scope of works set out in the Master Agreement A and the Master Agreement B (i.e. cable trenching, laying and jointing works as well as emergency and cable fault repair), respectively.

Subcontracting of works under the Master Agreement A and Master Agreement B

We reserve a designated pool of direct labour and machinery to provide our services under the Master Agreement A and the Master Agreement B as we primarily rely on our own direct labour rather than subcontracting the works. Occasionally, we also subcontracted certain works thereunder during the Track Record Period. During the Track Record Period, (i) for the Master Agreement A, we mainly deployed our direct labour for performing the works and incurred more employee expenses than subcontracting fees; and (ii) for the Master Agreement B, we gradually deployed more direct labour and reduced the use of subcontractors, in which the proportion of

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subcontracting fees to the service revenue attributable to the Master Agreement B decreased from approximately 51.5% for FY2021/22 to approximately 30.8% for FY2022/23 to approximately 5.7% for FY2023/24 while the proportion of employee expenses to the service revenue attributable to the Master Agreement B increased from approximately 22.9% for FY2021/22 to approximately 35.2% for FY2022/23 to approximately 51.2% for FY2023/24.

Under the Master Agreement A and the Master Agreement B, we shall not subcontract our works without previous written consent of CLPe Solutions Limited and Kum Shing Construction, respectively. To the best knowledge of our executive Directors, both CLPe Solutions Limited and Kum Shing Construction are aware of our occasional subcontracting arrangement. Our executive Directors are of the view that our occasional subcontracting arrangement does not constitute a material breach of the Master Agreement A and Master Agreement B and that our Group's occasional subcontracting arrangement has no material impact on our Group's operations, considering that:

- the term of the Master Agreement A and Master Agreement B commenced back in December 2020 and the current term is due to expire in November 2024. Since the commencement date of the Master Agreement A and Master Agreement B and up to the Latest Practicable Date, each of CLPe Solutions Limited and Kum Shing Construction had not lodged any complaint and had not served any notice or initiated any litigation regarding our Group's occasional subcontracting arrangement. Our executive Directors are of the view that if CLPe Solutions Limited or Kum Shing Construction have suffered any loss or damage from our Group's occasional subcontracting arrangement they would have already taken actions and not wait until towards the expiry of the Master Agreement A and Master Agreement B;
- during the Track Record Period and up to the Latest Practicable Date, both CLPe Solutions Limited and Kum Shing Construction had not refused to certify our works performed by our subcontractor(s), which again suggested that CLPe Solutions Limited and Kum Shing Construction did not suffer in terms of works quality and completion of works due to our occasional subcontracting arrangement; and
- we maintained a good working relationship with CLPe Solutions Limited and Kum Shing Construction, and as at the Latest Practicable Date, we are currently negotiating with CLPe Solutions Limited and Kum Shing Construction on new fixed-term master agreements which shall commence in December 2024. Our executive Directors confirm that going forward our Group will only deploy our direct labour for the new fixed-term master agreements with CLPe Solutions Limited and Kum Shing Construction.

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Based on the above, including the fact that neither CLPe Solutions Limited nor Kum Shing Construction had suffered any loss or damage arising from the above arrangements, the Hong Kong Legal Counsel is of the view that the above arrangements amount to an acquiescence of the above subcontracting arrangements by CLPe Solutions Limited and Kum Shing Construction, and accordingly, the likelihood of civil action against our Group is remote and the potential legal and financial impact on our Group is minimal.

Work flows for works under the Master Agreement A and Master Agreement B

Upon receipt of a work order from the main contractor under the Master Agreement A or the Master Agreement B, our Group will deploy our direct labour to the works site. During the construction period, we will submit daily reports to the main contractor. The main contractor will also monitor the work progress and quality at the work site on a regular basis.

In case of emergency repair, the main contractor would inform our Group of details of the repair work (including but not limited to location of work site, nature of repair work, etc.) through the designated contact point instead in light of the time constraint. The main contractor will be responsible for applying for the requisite licence or permit from the Highways Department and provide the same to us once it is available. Subsequent to receiving the requisite licence or permit, our Group will inform the Road Management Office of the Hong Kong Police Force of the work to be conducted, and deploy our direct labour to the work site to carry out the repair work required.

Upon completion of the work, our project management team will conduct final inspection of the work. The main contractor and/or the CLP Group (being the project owner) will then conduct inspection and examination on the work done to ensure they comply with their quality standards, requirements and specifications.

Upon passing the inspection, we will submit documents to the main contractor which will, upon satisfaction, submit the same to the project owner for payment.

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Latest status of renewal

Our Directors are of the view that, notwithstanding that there is no specific provision under the Master Agreement A and the Master Agreement B setting out criteria which our Group must fulfill for further renewal and/or entering into new master agreements thereafter, there is no impediment for renewal of both the Master Agreement A and the Master Agreement B or entering into new fixed-term master agreements on the following grounds:

- our first subcontracting agreements (the “**First Subcontracting Agreements**”) entered into by Tai Shan Engineering and Wing Lee Construction to provide zonal cable trenching, laying and jointing works as well as emergency and cable fault repair as subcontractor in projects of which the CLP Group was the project owner were entered into back in 2016;
- pursuant to the First Subcontracting Agreements, our Group was engaged to provide cable trenching, laying and jointing works as well as emergency and cable fault repair in Yuen Long and Tsuen Wan zones respectively for a fixed term of two years, commencing from 2016 and expiring in 2018, subject to renewal. Upon the expiry of the original term, the respective main contractors may exercise an option to extend the term for up to two years on an annual basis. Taking into account our performance in the first two years and the report from the project owner, both main contractors had exercised their rights under the First Subcontracting Agreements to extend the original term for further two years, causing the term of the First Subcontracting Agreements be prolonged to four years up to 2020;
- upon expiry of the First Subcontracting Agreements, we entered into the Master Agreement A and the Master Agreement B with the respective main contractors for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair (which are substantially similar to the scope of services under the First Subcontracting Agreements) in Wong Tai Sin, Sham Shui Po and Tsuen Wan zones respectively for a fixed term of three years commencing from 1 December 2020 and expiring on 30 November 2023, subject to a renewal option for up to two years on an annual basis. Upon the expiry of the original term (i.e. 30 November 2023), the terms of the Master Agreement A and the Master Agreement B were both extended for one year up to 30 November 2024.

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- Pursuant to the Master Agreement A and the Master Agreement B, our Group is obliged to provide emergency and cable fault repair in the relevant zones on the instructions of the main contractors. Notwithstanding that the recent power outage in Wong Tai Sin in June 2024 was not caused by or in any way related to our service quality or performance, our Group as the subcontractor under the Master Agreement A and upon receipt of the instruction of CLPe Solutions Limited on the date of the said power outage, had taken part in the emergency repair works. In order to provide emergency repair support, we promptly dispatched personnel to handle the power outage and completed the emergency repair work by the following day. In July 2024, our Group's performance in supporting the emergency and cable fault repairs in the said power outage was commended by the CLP Group.

- as at the Latest Practicable Date,
 - (i) our Group has been acting as the subcontractors for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair in projects of the CLP Group for almost eight years;
 - (ii) the respective main contractors of the Master Agreement A and the Master Agreement B has not expressed any indication that they will not exercise the renewal option to extend for another year; and
 - (iii) we are currently negotiating with CLPe Solutions Limited and Kum Shing Construction on new fixed-term master agreements with a tentative initial term of four years with option to extend the term for up to four years on an annual basis commencing in December 2024.

Master Agreement C

We entered into the Master Agreement C on a fixed-term contract basis with the main contractor of the CLP Group for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair, in which the main contractor would issue work orders and instructions to us and we are responsible for performing the works in accordance with such work orders and instructions.

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As discussed in the paragraph headed “Business — Projects undertaken during the Track Record Period — Backlog”, the main contractor of the Master Agreement C had not issued to our Group any work orders and our Group had not requested for or accepted any work orders under the Master Agreement C since FY2022/23. Thus, no service revenue was recognised under the Master Agreement C for FY2022/23 and FY2023/24. Our Directors confirmed that there has been no dispute or claim lodged by or against our Group in relation to the Master Agreement C. The salient terms of the Master Agreement C are set forth below:

Duration of contract	Three years, commencing from 1 December 2020 and expiring on 30 November 2023. The Master Agreement C has expired since 30 November 2023.
Scope of works	Generally include cable trenching, laying and jointing works as well as emergency and cable fault repair. The details of the scope of works and the specifications are to be set out in the work orders and instructions issued by the main contractor to our Group during the term of the agreement.
Rights and obligations of the main contractor	The main contractor shall procure materials on our behalf if our Group is in need and the main contractor agrees to do so.
Rights and obligations of our Group	Our Group shall supply materials, equipment and machinery and complete works per work orders and instructions issued by the main contractor pursuant to the terms and conditions of the main contract.
Zone	Yuen Long zone

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Contract sum	<p>The total fixed contract sum is not specified in the agreement. The fee we are entitled to charge for our works is calculated with reference to standard rates (subject to the contract price adjustment mechanism as explained above) contained in the schedule of rates in the agreement and the work orders and instructions issued by the main contractor. The schedule of rates contains the standard rates for different types of works. Although Master Agreement C stated an estimated total work amount of HK\$225 million, such amount was only an indicative estimation and was not a fixed contract sum because the amount of fees that our Group was entitled to charge under the Master Agreement C depended on the actual amount of work carried out, rather than as a fixed lump sum that our Group would be entitled to charge for carrying out the specified works as in a standard construction contract.</p>
Payment terms	<p>Our Group submits final payment application to the main contractor for the works performed by us upon completion of works under each work order. Upon receiving completion certificate from the project owner, the main contractor will make final payment to our Group.</p>
Insurance	<p>The main contractor is responsible for procuring and maintaining contractors' all risk insurance and third party liability insurance as well as employees' compensation insurance for frontline workers.</p>
Defects liability period	<p>During the defects liability period, we are typically required to rectify any defect or imperfection of our works at our own costs unless such defect or imperfection is caused by the act, neglect or default of the project owner, its representative or the main contractor.</p>

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Termination

If the main contractor discovers that our Group:

- (a) is not capable of completing or relinquishes the project;
- (b) is subject to criminal liability;
- (c) deliberately exaggerates numbers or amounts of projects with an intent to deceive the main contractor or the project owner;
- (d) has failed to provide reasonable explanation to the main contractor's satisfaction twice or more within three months in relation to written complaints of our performance issued to the main contractor by the project owner,

the main contractor may terminate the Master Agreement C by serving on our Group a notice in writing.

Top customers

For FY2021/22, FY2022/23 and FY2023/24, the percentage of our total revenue attributable to our top customer for each year amounted to approximately 32.4%, 24.0% and 32.6% respectively, while the percentage of our total revenue attributable to our top five customers for each year in aggregate amounted to approximately 84.6%, 61.0% and 72.3%, respectively. The following table sets out information of our top five customers for FY2021/22, FY2022/23 and FY2023/24:

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FY2021/22

Rank	Customer	Year of commencement of business relationship	Type of works	Typical credit terms ^(Note 11) and payment method	Revenue derived from the customer	
					HK\$'000	%
1	Customer A ^(Note 1)	Since 2020	Civil engineering works	30 or 45 days upon receipt of application for payment; by cheque	168,464	32.4
2	Customer C ^(Note 2)	Since 2021	Civil engineering works	30 or 45 days upon receipt of application for payment; by cheque	124,551	23.9
3	CLPe Solutions Limited ^(Note 3)	Since 2020	Cable trenching, laying and jointing works	7 days; by telegraphic transfer	84,026	16.1
4	Kum Shing Construction ^(Note 4)	Since 2016	Cable trenching, laying and jointing works	30 days; by cheque	43,201	8.3
5	Customer E ^(Note 5)	Since 2020	Civil engineering works	15 days; by cheque	20,408	3.9
Top five customers in aggregate					440,650	84.6
All other customers					79,701	15.4
Total revenue					520,351	100

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FY2022/23

Rank	Customer	Year of commencement of business relationship	Type of works	Typical credit terms ^(Note 11) and payment method	Revenue derived from the customer	
					HK\$'000	%
1	CLPe Solutions Limited ^(Note 3)	Since 2020	Cable trenching, laying and jointing works	7 days; by telegraphic transfer	86,656	24.0
2	Kum Shing Construction ^(Note 4)	Since 2016	Cable trenching, laying and jointing works; solar PV system works	30 days; by cheque	44,940	12.4
3	Government Department B ^(Note 7)	Since 2020	Road and drainage works	14 days, by telegraphic transfer	31,532	8.7
4	Customer C ^(Note 2)	Since 2021	Civil engineering works	30 or 45 days upon receipt of application for payment; by cheque	30,275	8.4
5	Government Department A ^(Note 6)	Since 2021	Road and drainage works	10 days; by telegraphic transfer	27,109	7.5
		Top five customers in aggregate			220,512	61.0
		All other customers			140,695	39.0
		Total revenue			<u>361,207</u>	<u>100</u>

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FY2023/24

Rank	Customer	Year of commencement of business relationship	Type of works	Typical credit terms ^(Note 11) and payment method	Revenue derived from the customer	
					HK\$'000	%
1	Customer G ^(Note 8)	Since 2022	Civil engineering works	60 days; by telegraphic transfer or cheque	171,584	32.6
2	CLPe Solutions Limited ^(Note 3)	Since 2020	Cable trenching, laying and jointing works	7 days; by telegraphic transfer	88,892	16.9
3	Wing Hing Construction Company Limited ^(Note 9)	Since 2022	Civil engineering works	45 days; by cheque	43,721	8.3
4	China Road and Bridge Corporation ^(Note 10)	Since 2022	Civil engineering works	30 or 35 days; by cheque	42,162	8.0
5	Government Department A ^(Note 6)	Since 2021	Road and drainage works	10 days; by telegraphic transfer	34,327	6.5
		Top five customers in aggregate			380,686	72.3
		All other customers			145,413	27.7
		Total revenue			<u>526,099</u>	<u>100</u>

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Notes:

1. Customer A is a joint venture formed among four companies. The first of the companies is an international management contractor which is an industry leader in the construction industry. The second of the companies is a state-owned holding company, offering financing, planning, construction, equipment manufacturing and management services in the global energy and electricity, water resources, environmental construction, construction and property sectors. The third of the companies is one of the largest construction contractors in Hong Kong. The fourth of the companies is an engineering company in Hong Kong.
2. Customer C is a joint venture which is wholly interested in by a PRC company that provides construction general contracting services. The PRC company contracts hydro projects, municipal public works, housing construction projects, etc..
3. CLPe Solutions Limited is a wholly-owned subsidiary of a listed company in Hong Kong. The CLP Group is one of the largest investor-owned power businesses in Asia, which provides power generation, power transmission and distribution, and customer service.
4. Kum Shing Construction is a leader in the development, operation and maintenance of the energy infrastructure industry in Hong Kong with over 60 years of history since its establishment in 1963. With over 2,000 employees, it offers a full range of customised and specialised services in civil, building, electrical, and mechanical engineering for clients in the power utilities, transportation sector, and works departments of the Government and for projects ranging from underground cabling works on the roads to the extensive network of street lights, heavy machinery and high-voltage electrical services in power plants and substations to works involving electrical & mechanical systems and civil engineering to the development of Hong Kong’s railway network.
5. Customer E is a Hong Kong company in the engineering and construction industry.
6. Government Department A is a government department responsible for drainage and sewerage.
7. Government Department B is a government department responsible for developing Hong Kong’s road and railway network as well as road maintenance.
8. Customer G is a joint venture between a PRC construction contractor and a Hong Kong land developer. The PRC construction contractor is a leading enterprise in the construction industry in PRC.
9. Wing Hing Construction Company Limited is a civil engineering company in Hong Kong. It provides services in airport infrastructural works, roads and drainage works, civil works, structural steelworks, public utilities works, and landscaping works.
10. China Road and Bridge Corporation is a state-owned company, and provides a diversified range of services including design, engineering, construction, project management and investment in all kinds of infrastructure projects.
11. Our typical credit terms with our top five customers which are government departments or quasi-public organisations (such as CLPe Solutions Limited) during the Track Record Period were generally within half-month, whereas our typical terms with our top five customers which are non-public organisations (such as Customer A, Customer C and Kum Shing Construction) during the Track Record Period were generally one to two months. As advised by Frost and Sullivan, the above typical credit terms are in line with industry practice.

None of our Directors, their close associates or any Shareholder 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 top five customers during the Track Record Period.

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Customer concentration

For FY2021/22, FY2022/23 and FY2023/24, the percentage of our total revenue attributable to our top customer for each year amounted to approximately 32.4%, 24.0% and 32.6%, respectively. The percentage of our total revenue attributable to our top five customers for each year in aggregate amounted to approximately 84.6%, 61.0% and 72.3%, respectively for the same years. As advised by Frost & Sullivan, client concentration is a common occurrence within the civil engineering sectors, in both public and private sectors. Our Directors consider that our Group's business model is sustainable despite such customer concentration due to the following factors:

- Our top five customers for each year during the Track Record Period, such as Customer A, Customer C, Customer E, Customer G, China Road and Bridge Corporation and Wing Hing Construction Company Limited were/are our customers in respect of our Third Runway Projects, which was our largest project during the Track Record Period in terms of revenue contribution. According to the Industry Report, the Third Runway Projects are one of the largest public infrastructure projects in Hong Kong in terms of total contract sum, at approximately HK\$141.5 billion, and was awarded to a limited number of main contractors. Under the circumstances, it is common for construction contractors which participate in the Third Runway Projects to rely on those main contractors or their subcontractors.
- While it appears that a majority of our revenue was derived from a few customers during the Track Record Period, our Directors consider that our Group does not exhibit over dependency on any of our major customers as our Group undertook projects with considerably different scales. A sizeable project undertaken by our Group would contribute to a significant portion of our Group's revenue in a particular financial year, which would result in the relevant customer becoming one of our top customers for that particular financial year. In addition, large projects tend to last more than one financial year, our customers of these large projects may remain to be our major customers for consecutive years. As advised by Frost & Sullivan, client concentration is a common occurrence within the civil engineering sector, in both public and private sectors.
- As illustrated above, our customer concentration was mainly driven by our participation in sizeable projects such as the Third Runway Projects, which is non-recurring, rather than relying on a small number of particular recurring customers (save for CLPe Solutions Limited and Kum Shing Construction under term contracts as disclosed

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below). In addition, Customer A, Customer C and Customer G are joint ventures, which to the best knowledge of the executive Directors, are joint ventures specifically set up for specific projects which is a common industry practice according to the Industry Report.

- We are directly contracted by CLPe Solutions Limited, to provide zonal cable trenching, laying and jointing works as well as emergency and cable fault repair under the Master Agreement A in which we cover the Sham Shui Po and Wong Tai Sin zones. In addition, we are the subcontractor of Kum Shing Construction, which is the main contractor of the CLP Group, under the Master Agreement B to provide cable trenching, laying and jointing works as well as emergency and cable fault repair in which we cover the Tsuen Wan zone. According to the Industry Report, it is common for construction contractors to rely on those main contractors which provides zonal electrical cable engineering works for the CLP Group as the project owner. It is not uncommon for the CLP Group to issue tenders for electrical cable engineering work projects to contractors located in different districts across Hong Kong. This allows them to leverage the expertise and resources of contractors based in various parts of Hong Kong to carry out necessary infrastructure and maintenance work for their electrical grid and distribution network.
- Prior to the Track Record Period, we were a subcontractor to provide zonal electrical cable engineering works where the CLP Group was the project owner. Our executive Directors are of the view that the CLP Group and/or its main contractors regard us as their preferred business partner, attributable to their confidence in our ability to consistently deliver quality service and meet their needs.
- The Master Agreement A and the Master Agreement B are fixed-term contracts. Their terms are three years (commencing from 1 December 2020 to 30 November 2023) with renewal options. Upon the expiry of the original terms, CLPe Solutions Limited and Kum Shing Construction may respectively exercise an option to extend the term for up to two years on an annual basis. Upon the expiry of the original terms (i.e. 30 November 2023), CLPe Solutions Limited and Kum Shing Construction respectively exercised the renewal option for one year (i.e. until 30 November 2024). Our executive Directors confirm that, as at the Latest Practicable Date, (i) both CLPe Solutions Limited and Kum Shing Construction have not expressed any indication that CLPe Solutions Limited and Kum Shing Construction will not exercise the renewal option for another year; and (ii) we are currently negotiating with CLPe Solutions Limited and Kum Shing Construction on new fixed-term master agreements with a tentative initial term of four years with an option to extend the term for up to four years on an annual basis commencing in December 2024.

BUSINESS

Top five customers who were also our suppliers

Contra-charge arrangement

When we undertake projects for our customers, there may be occasions where our customers procure materials and provide other services on our behalf and subsequently deduct such amounts in the relevant progress payments to us. Such arrangement is generally known as “contra-charge arrangement”, and the amounts involved are referred to as “contra-charge”. The procurement made by our customers on our behalf mainly include materials such as fuel and concrete. While the formal contracts with our customers generally do not impose specific condition or requirement on us to procure specific types of materials and/or services from them for the use in their projects, our customers may in practice supply certain materials and other services to us for the use in their projects at our costs.

According to the Industry Report, on some occasions, the main contractors may provide certain materials and/or services to their subcontractors. The main contractors would subsequently deduct such amounts in the relevant payment certificates issued to the subcontractors. Based on the Industry Report, main contractors adopted the aforesaid arrangements mainly for the purpose of (i) improving cost effectiveness as main contractors could generally negotiate a more favourable pricing for placing bulk purchase orders with suppliers; and (ii) facilitating procurement efficiency by centralising the procurement of materials used for performing different types of construction works under the same construction project. In addition, contra-charge is common in the construction industry especially in more sizeable projects.

For FY2021/22, FY2022/23 and FY2023/24, we incurred approximately HK\$18.3 million, HK\$17.1 million, and HK\$0.8 million, respectively, for the procurement of materials and other services from our customers, representing approximately 4.3%, 6.0% and 0.2% of our total cost of services for the corresponding years, respectively.

BUSINESS

The following table sets forth the details of our transactions with our top five customers in which there were contra-charge arrangements during the Track Record Period for FY2021/22, FY2022/23 and FY2023/24:

	Types of goods/services procured by our Group	FY2021/22		FY2022/23		FY2023/24	
		HKS'000	%	HKS'000	%	HKS'000	%
		Customer A					
Revenue derived and approximate % of our total revenue		168,464	32.4	23,607	6.5	—	—
Procurement of amounts and approximate % of our total cost of services	Fuel	8,046	1.9	1,288	0.5	—	—
Customer C							
Revenue derived and approximate % of our total revenue		124,551	23.9	30,275	8.4	—	—
Procurement of amounts and approximate % of our total cost of services	Fuel	10,033	2.4	2,154	0.8	—	—
Kum Shing Construction							
Revenue derived and approximate % of our total revenue		43,201	8.3	44,940	12.4	32,681	6.2
Procurement of amounts and approximate % of our total cost of services	Electrical supplies	54	0.0	—	—	—	—
Customer E							
Revenue derived and approximate % of our total revenue		20,408	3.9	22,085	6.1	—	—
Procurement of amounts and approximate % of our total cost of services	Subcontracting services	—	—	4,737	1.7	—	—
Wing Hing Construction Company Limited							
Revenue derived and approximate % of our total revenue		—	—	7,295	2.0	43,721	8.3
Procurement of amounts and approximate % of our total cost of services	Miscellaneous	—	—	—	—	20	0.0

BUSINESS

Types of goods/services procured by our Group	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
	China Road and Bridge Corporation					
Revenue derived and approximate % of our						
total revenue	—	—	21,934	6.1	42,162	8.0
Procurement of amounts and approximate %						
of our total cost of services						
Fuel and concrete	—	—	8,928	3.1	740	0.2

During the Track Record Period, our contra-charge was mainly incurred in our Third Runways Project (i.e. attributable to Customer A, Customer C, Customer E, Customer G, Wing Hing Construction Company Limited and China Road and Bridge Corporation) in respect of fuel and subcontracting services. Our contra-charge arrangement under our Third Runways Project was for the purposes of (i) improving cost effectiveness as the main contractor could negotiate a more favourable pricing for fuel for placing bulk purchase orders; and (ii) expediting the work progress.

Overlapping customers

1. Transaction with Chit Tat Electrical

During the Track Record Period, we subcontracted one of our Third Runways Projects (i.e. Project No. #01). In the said project, we also leased our machinery to Chit Tat Electrical and earned rental income. Separately, during the Track Record Period, Chit Tat Electrical subcontracted certain electrical engineering works projects (with total contract sum of approximately HK\$4.8 million) to us and paid us subcontracting fees.

In fact, Chit Tat Electrical is a wholly owned subsidiary of Accel Group Holdings Limited (stock code: 1283), a company listed on the Main Board of the Stock Exchange (“**Accel Group**”), in which our executive Director, Ms. Tse Ka Wing, serves as the independent non-executive director of Accel Group. Ms. Tse confirmed that she is not involved in the operation of Accel Group.

BUSINESS

The following table sets forth the details of our transactions with Chit Tat Electrical who supplied materials to us for FY2021/22, FY2022/23 and FY2023/24:

	FY2021/22	FY2022/23	FY2023/24
Revenue			
Service revenue (<i>HK\$'000</i>)	2,897	1,857	—
Rental income (<i>HK\$'000</i>)	5,160	—	—
Percentage to our total revenue	1.5%	0.5%	—
Cost of services (subcontracting fees)			
Subcontracting fees (<i>HK\$'000</i>)	24,587	5,490	—
Percentage to our cost of services	5.8%	1.9%	—

2. *Transaction with Kai Fung Construction*

In addition, during the Track Record Period, we also provided construction services, truck rental services and supplied materials to, and purchased materials from, Kai Fung Construction which is a company wholly owned by Mr. Yiu Fai. For details, please refer to the section headed “History, Development and Reorganisation” in this document.

PRICING STRATEGY

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

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

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the price trend for the types of materials and subcontracting services required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the availability of our labour and financial resources.

BUSINESS

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

Our Directors confirm that our Group had no cost overrun and loss-making project during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

During the Track Record Period, we secured new business mainly through invitations for tender by customers. For public sector projects in which we act as a main contractor, we identify potential projects from publications on the websites of different Government departments. We may also receive invitations from different Government departments to submit tenders since we are registered on the List of Approved Contractors for Public Works maintained by the Development Bureau under Group A on probation of the Roads and Drainage category. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the civil and electrical cable engineering industries in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

Seasonality

Our Directors believe that the civil and electrical cable engineering industries in Hong Kong do not exhibit any significant seasonality as civil and electrical cable engineering works projects take place throughout the year in Hong Kong based on the experience of our Directors.

BUSINESS

OUR SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) subcontractors; (ii) suppliers of materials such as steel, uPVC pipes and solar PV panels and (iii) suppliers of other miscellaneous services such as machinery rental services, testing services and technical consultancy services. During the Track Record Period, the majority of our top suppliers were located in Hong Kong and our purchases were mainly denominated in Hong Kong dollars and, to a limited extent, RMB.

Our executive Directors confirm that, during the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required.

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

Principal terms of engagement

Our subcontractors

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

Scope of services

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

Subcontracting fees

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

BUSINESS

Defects liability period

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

Indemnification for underperformance

Our subcontractors shall be responsible for indemnifying us for underperformance. We could obtain indemnification by deducting retention monies received from our subcontractors in satisfaction of the indemnification amount, or deducting the cost of rectifying the works from any amount due to our subcontractors.

Payment arrangements

Our subcontractors are required to submit progress payment applications to us setting out the details of the completed work on a monthly basis. Depending on our contract terms with subcontractors, we may generally withhold up to 10% of each payment made to our subcontractors as retention monies. Generally, the retention monies are partially released upon completion of the project, expiry of the defects liability periods or a pre-agreed time period.

The following table sets forth the amounts of retention monies incurred by and released to our subcontractors during the Track Record Period and up to 31 July 2024:

	FY2021/22	FY2022/23	FY2023/24	Period from 1 April 2024 to 31 July 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention monies incurred	8,285	2,388	4,294	7,106
Retention monies released	882	7,999	3,633	—

As at 31 March 2022, 31 March 2023 and 31 March 2024, our retention payables to subcontractors amounted to approximately HK\$1.5 million, HK\$2.9 million and HK\$6.8 million, respectively. Please refer to the paragraph headed “Financial Information — Description of certain line items in the combined statements of financial position — Trade and retention payables” in this document for further details.

BUSINESS

Arrangements for materials

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

Safety and prohibition of illegal workers

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

To the best knowledge and information of our Directors, no illegal worker had been hired for our Group's projects during the Track Record Period and up to the Latest Practicable Date.

Suppliers of materials

We engage our suppliers of materials on a project-by-project basis. We have not committed to any minimum purchase amount with our suppliers of materials. Our purchase orders generally specify the unit price, volume, delivery date, product specification and types of materials we required. The purchased materials are generally delivered directly to the project sites. For materials supplied by suppliers in Hong Kong, the transportation costs for the materials supplied are generally borne by our suppliers. For materials supplied by suppliers in the PRC, the suppliers are responsible for the delivery of the materials on board and we arrange for the materials to be delivered to the destination designated by us in Hong Kong.

The major types of materials sourced from our suppliers included steel, uPVC pipes and solar PV panels. We conduct physical inspection on the materials upon their arrival. Any materials that fail to comply with the specifications or standards provided in the purchase order will be returned to the suppliers for replacement. Our suppliers of materials charge us based on the total quantity of our purchase.

BUSINESS

Framework supply agreement with Lik Kar Trading Development Co., Limited (“Lik Kar”)

In 2020, we entered into a framework supply agreement with Lik Kar for the supply of materials for Project No. #01. We placed an order with Lik Kar for each purchase during the term of the agreement. The salient terms of the framework supply agreement are summarised as follows:

Term	Four years
Products to be procured	uPVC pipes
Delivery	<p>Lik Kar shall be responsible for the delivery of products to the locations designated by our Group within the time specified in the agreement and shall be responsible for any loss or damage to the products during transportation.</p> <p>Lik Kar shall be responsible for the delivery of products by road. If our Group requests for the products to be delivered by sea, we shall compensate Lik Kar for the additional fees in the amount specified in the agreement.</p>
Pricing	The price of the products is determined by the unit price stipulated in the agreement and the total volume purchased.
Exclusivity	Lik Kar is not allowed to supply product or service to any other subcontractor under Project No. #01 or any other relevant construction project.
Products return arrangement	If there is any damage or defect to the products, we are entitled to return the products.
Payment and credit terms	Generally, payment for the purchase of products is to be made within 50 days from the last day of each month. Lik Kar grants a credit limit of HK\$1.5 million to our Group. In case the credit limit is exceeded, our Group is required to make payment within seven days.

BUSINESS

Termination	The agreement can be terminated if: <ul style="list-style-type: none">(i) either party is in breach of the agreement or purchase order;(ii) either party is subject to an order for dissolution; or(iii) upon mutual consent in writing.
Renewal	If there is any purchase order that has not been fulfilled at the expiry of the agreement, the term of the agreement can be extended upon mutual consent in writing.

The framework supply agreement that our Group entered into with Lik Kar expired in March 2024 and had not been renewed thereafter. For FY2021/22, FY2022/23 and FY2023/24, the amount of materials that we purchased from Lik Kar under the framework supply agreement were approximately HK\$29.9 million, HK\$1.5 million and nil, respectively. Such decrease in purchase amount was due to the completion of Project No. #01 during FY2022/23.

Suppliers of miscellaneous services

We also procure services from suppliers of miscellaneous services such as machinery rental services and technical consultancy services. Our purchase orders generally specify the price, scope of services required and delivery date. We have not committed to any minimum purchase amount with our suppliers of miscellaneous services.

BUSINESS

Top suppliers

For FY2021/22, FY2022/23 and FY2023/24, the percentage of our total purchases from our top supplier for each year amounted to approximately 7.7%, 3.7% and 10.6% of our total cost of services, respectively, while the percentage of our total purchases from our top five suppliers for each year in aggregate amounted to approximately 30.3%, 13.5% and 22.3%, respectively. The following tables set out information of our top five suppliers for FY2021/22, FY2022/23 and FY2023/24:

FY2021/22

Rank	Supplier	Nature of transactions with the suppliers	Year of commencement of business relationship	Typical credit terms ^(Note 13) and payment method	Cost of services attributable to the suppliers	
					HK\$'000	%
1	Lik Kar Trading Development Co., Limited <i>(Note 1)</i>	Mainly supply of raw materials	Since 2016	7 or 50 days; by cheque	32,791	7.7
2	Jun Yat Construction Co., Limited <i>(Note 2)</i>	Mainly leasing of machinery	Since 2020	30 days; by cheque	30,854	7.2
3	Tak Lee Machinery Company Ltd <i>(Note 3)</i>	Mainly leasing of machinery	Since 2020	1 month after monthly statement; by cheque	25,262	5.9
4	Chit Tat Electrical <i>(Note 4)</i>	Mainly subcontracting works	Since 2021	45 days; by cheque	24,587	5.8
5	World Harvest Construction Limited <i>(Note 5)</i>	Mainly subcontracting works	Since 2020	Advance payment and 45 days for each payment application; by cheque	15,842	3.7
Top five suppliers in aggregate					129,336	30.3

BUSINESS

FY2022/23

Rank	Supplier	Nature of transactions with the suppliers	Year of commencement of business relationship	Typical credit terms ^(Note 13) and payment method	Cost of services attributable to the suppliers	
					HK\$'000	%
1	Supplier F ^(Note 6)	Mainly subcontracting works	Since 2022	Advance payment and 45 days for each payment application; by cheque	10,457	3.7
2	HK Huangshangyou Steel Industrial Limited ^(Note 7)	Mainly subcontracting works	Since 2021	30 days; by cheque	7,775	2.7
3	Shun Tung Construction Limited ^(Note 8)	Mainly subcontracting works	Since 2017	Advance payment and 7 days; by cheque	7,017	2.4
4	China Road and Bridge Corporation ^(Note 9)	Mainly fuel supply	Since 2022	By way of contra charges ^(Note a)	6,740	2.4
5	Ohoo (International) Consultation Limited ^(Note 10)	Mainly subcontracting works	Since 2020	Advance payment and 7 to 10 days; by cheque	6,591	2.3
Top five suppliers in aggregate					38,580	13.5

Note a:

For details, please refer to the paragraph headed “Top five customers who were also our suppliers — Contra charge arrangement” in this section.

BUSINESS

FY2023/24

Rank	Supplier	Nature of transactions with the suppliers	Year of commencement of business relationship	Typical credit terms ^(Note 13) and payment method	Cost of services attributable to the suppliers	
					HK\$'000	%
1	Jun Yat Construction Co., Limited ^(Note 2)	Mainly leasing of machinery	Since 2022	30 days; by cheque	42,895	10.6
2	HK Huangshangyou Steel Industrial Limited ^(Note 7)	Mainly subcontracting works	Since 2021	30 days; by cheque	19,801	4.9
3	Workbase Engineering Limited ^(Note 11)	Mainly subcontracting works	Since 2021	30 days; by cheque	10,465	2.6
4	Teso. Add Company Limited ^(Note 12)	Mainly fuel supply	Since 2023	30 days; by cheque	10,229	2.5
5	Tak Lee Machinery Company Ltd ^(Note 3)	Mainly leasing of machinery	Since 2020	1 month after monthly statement; by cheque	6,794	1.7
Top five suppliers in aggregate					90,184	22.3

Notes:

- Lik Kar Trading Development Co., Limited is incorporated in Hong Kong, and sells PVC, uPVC PE and HDPE pipes and accessories.
- Jun Yat Construction Co., Limited is incorporated in Hong Kong, and is principally engaged in site formation work and the provision of heavy transport vehicles and construction machinery rental services.
- Tak Lee Machinery Company Ltd, being a subsidiary of a company listed in Hong Kong which is principally engaged in the sale of new and used heavy equipment and spare parts, the leasing of heavy equipment, and the provision of maintenance and ancillary services.
- Chit Tat Electrical is a construction contractor company in Hong Kong, being a subsidiary of a company listed in Hong Kong, Accel Group Holdings Limited (stock code: 1283), which is principally engaged in supply, installation and maintenance of MVAC systems, drainage systems, water supply, swimming pool and fountain systems, electrical and control systems as well as smart electrical control systems in buildings. Based on the latest annual report of Accel Group Holdings Limited, its revenue amounted to over HK\$500 million for the year ended 31

BUSINESS

March 2023. Ms. Tse Ka Wing, our executive Director, is an independent non-executive director of Accel Group Holdings Limited. Ms. Tse has confirmed that she is not involved in the operations of Accel Group Holdings Limited as an independent non-executive director.

5. Please refer to the below paragraph for background of World Harvest Construction Limited.
6. Supplier F is a company incorporated in Hong Kong, and is engaged in the construction industry.
7. HK Huangshangyou Steel Industrial Limited is a company incorporated in Hong Kong, and is principally engaged in structure manufacturing and installation, and the steel industry.
8. Shun Tung Construction Limited is a company incorporated in Hong Kong, and is an electrical project contractor.
9. Please refer to Note 10 under the paragraph headed “Top customers” in this section.
10. Ohoo (International) Consultation Limited is a company incorporated in Hong Kong, and is involved in the construction industry.
11. Workbase Engineering Limited, being a subsidiary of a company listed in Hong Kong which is a contractor of foundation works in Hong Kong, is principally engaged in the provision of foundation and related works.
12. Teso. Add Company Limited is a company incorporated in Hong Kong, and is a chemical trader.
13. Our typical credit terms with our top five suppliers for projects that are not related to works under the Master Agreement A or the Master Agreement B (i.e. non-CLP group projects) during the Track Record Period generally ranged from 30 days to 45 days.

Regarding subcontracting works provided for the CLP group projects by our suppliers (such as World Harvest Construction Limited, Supplier F, Shun Tung Construction Limited and Ohoo (International) Consultation Limited), considering the credit profile of CLP Group (being the project owner), our Group will first make partial payment in advance shortly after submission of progress payment applications or bills to us by our suppliers despite that formal certification of works done and issuance of the payment certificate by our main contractors to us are yet to be carried out. Our Directors confirmed that, during the Track Record Period and up to Latest Practicable Date, our Group has not experienced any incidents where we made partial payment to our relevant suppliers in advance but our main contractors failed to settle our bills.

As advised by Frost and Sullivan, the above typical credit terms are in line with industry practice.

Relationship with World Harvest Construction Limited

World Harvest Construction Limited is a private limited liability company incorporated in April 2020 in Hong Kong, which is owned as to 50% and 50% by Mr. Yiu San Pan (姚新斌) and Mr. Yiu Hung Wah (姚恒華), respectively. Mr. Yiu San Pan is the nephew of Mr. Yiu and Mr. Yiu Wang Lung, whereas Mr. Yiu Hung Wah is the brother of Mr. Yiu and Mr. Yiu Wang Lung.

BUSINESS

World Harvest Construction Limited is principally engaged in the provision of engineering services. It was incorporated by Mr. Yiu San Pan and Mr. Yiu Hung Wah who used to work with our Group before starting their own business by the said incorporation. To the best knowledge of our Directors, they decided to start their own business as career advancement. Our Directors confirm that each of Mr. Yiu San Pan and Mr. Yiu Hung Wah did not involve in any misconduct or underperformance during their respective employment with our Group. During the Track Record Period, our Group had subcontracted to World Harvest Construction Limited certain cable trenching, laying and jointing works in Tsuen Wan zone under the Master Agreement B. Our Directors considered that despite that World Harvest Construction Limited was merely incorporated in 2020, its directors have been equipped with the necessary expertise and experience in providing the relevant services since Mr. Yiu San Pan and Mr. Yiu Hung Wah were involved in handling the CLP Group projects under the First Subcontracting Agreements during their employment with our Group. As a result, World Harvest Construction Limited had been one of our subcontractors for works in Tsuen Wan zone under the Master Agreement B. For FY2021/22, FY2022/23, and FY2023/24, the subcontracting fee we paid to World Harvest Construction Limited amounted to approximately HK\$15.8 million, HK\$2.8 million and HK\$0.8 million, respectively, representing 3.7%, 1.0% and 0.2% of our cost of services in the corresponding year respectively. For FY2021/22, World Harvest Construction Limited was one of our top five suppliers. Nevertheless, our subcontracting fees to World Harvest Construction Limited has shown a decreasing trend during the Track Record Period because (i) our Group deployed more direct labour in our projects year-on-year and hence we had subcontracted less work to World Harvest Construction Limited; and (ii) the subcontracting relationship between our Group and World Harvest Construction Limited has ceased since June 2023 due to the relocation of World Harvest Construction Limited's storage from Tsuen Wan to Sai Sha, leading to an increase in their operation costs in providing services to our Group for works in Tsuen Wan. In light of the above, our Group did not subcontract any work to World Harvest Construction Limited since June 2023 and has no plan to resume the subcontracting relationship.

As confirmed by our Directors, the provision of such services between our Group and World Harvest Construction Limited is in the ordinary and usual course of business of our Group and such terms are fair and reasonable. As confirmed by our Company, the above transaction will not continue after [REDACTED].

Save as disclosed above, none of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five suppliers of our Group during the Track Record Period.

BUSINESS

Reasons for subcontracting arrangement

Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts of the project, such as jointing and trenching, to our subcontractors when the availability of our own labour resources is limited or the subcontracted works require specialised skills or expertise. Our Directors believe that it is in the interest of our Group to subcontract on-site labour intensive or skilled works to our subcontractors as it allows for a low fixed cost overhead and allows us to more effectively manage our projects by utilising others' established expertise and skill-set on a project basis. According to the Industry Report, it is common for civil and electrical engineering works contractors in Hong Kong to subcontract part of their works to subcontractors. Our executive Directors confirm that our subcontracting arrangement is in line with normal market practice.

Basis of selecting our subcontractors

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

Basis of selecting our suppliers

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

QUALITY CONTROL

We believe that our commitment to quality services is crucial to our reputation and continual success. We place strong emphasis on service quality by implementing a comprehensive quality control system. We have obtained certification certifying its quality management to be in conformance with the requirements of ISO 9001:2015 standard. In conformity with the ISO 9001:2015 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, proper filing, communication with customers, revision on quality manual and procedures, employees' training, internal and external audits, evaluation and procurement of materials and subcontracting services and non-conforming works management.

BUSINESS

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

Collecting feedbacks from customers

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

Designation of project management team

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

Procurement of materials

Our Group maintains an approved list of suppliers which is updated on a regular basis. We conduct physical inspection on the materials upon their arrival. Please refer to the paragraph headed "Our suppliers — Basis of selecting our suppliers" in this section above for our procurement policies of materials. Our suppliers are responsible for replacing any materials which do not meet the relevant specifications or standards and any associated costs incurred.

Works performed by subcontractors

We remain accountable to our customers for the performance and quality of work rendered by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our project management team.

BUSINESS

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

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

To the best knowledge and information of our Directors, during the Track Record Period and as at the Latest Practicable Date, no claim has been made against our Group for our subcontractors' underperformance.

Final inspection and testing conducted on our completed works

Upon completion of our works, our project management team conducts final inspection to ensure that the works performed by us or our subcontractors can meet our quality standard. In respect of our projects for installation of solar PV system, our staff will conduct testing on our works upon completion to ensure that our works meet the specifications of our customers and the test reports will be submitted to our customers for their approval.

INVENTORY

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

BUSINESS

MACHINERY

Our self-owned machinery include excavators, road rollers, crawler cranes, generators and dump trucks. When undertaking our projects, we may deploy our self-owned or leased machinery, depending on, among others, the availability of our self-owned machinery, the nature of works to be performed and the expected duration for using that machinery. Our executive Directors consider that investment in our self-owned machinery can help our Group cater for projects in civil and electrical cable engineering works and solar PV system works of different scales and complexity, and can enable us to manage the timeline of each project efficiently due to the immediate availability of the relevant machinery and equipment. For FY2021/22, FY2022/23 and FY2023/24, we purchased machinery in the amount of approximately HK\$17.7 million, HK\$2.8 million and HK\$47.0 million, respectively, and the carrying amount of our machinery amounted to approximately HK\$48.2 million, HK\$42.3 million and HK\$79.9 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. In respect of the addition of our machinery of approximately HK\$47.0 million for FY2023/24, approximately HK\$32.4 million was purchased from China Wealth (being a group company of one of our [REDACTED], namely Sany Hongkong Group Limited (三一香港集團有限公司) and its associated company. During FY2023/24, we acquired new machinery to supplement the machinery that have short remaining useful life or have been fully depreciated in our fleet of machinery. Following our acquisition of machinery during FY2021/22, the proportion of our machinery and equipment leasing expenses in our cost of services was lower for FY2022/23 and FY2023/24.

For FY2021/22, FY2022/23 and FY2023/24, the utilisation rate of our major construction machinery and equipment was 100%, 100% and 100%, respectively. The above utilisation rate was calculated based on the average of utilisation rate as at the month ended of the relevant financial year of the Track Record Period. The utilisation rate as at each month end is calculated by dividing the number of our self-owned construction machinery and equipment deployed to work projects by the total number of self-owned construction machinery and equipment as at that month end. Our Directors made the assumption that the average of utilisation rate as at each month end of the relevant financial year of the Track Record Period is a close approximation of the utilisation rate for that financial year. Notwithstanding that our construction machinery and equipment would be on transit between various work sites from time to time for them to be deployed in various projects depending on the work progress, such transit had a very short timeframe. As such, the transition period has no significant impact on our calculation of the utilisation rate.

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The following table sets out the types of machinery owned by us:

Excavator



Electric Excavator



Excavators are mainly used for performing excavation works.

Bulldozer



Bulldozers are mainly used for pushing and digging soil.

Road roller



Road rollers are mainly used for compacting soil, gravel, concrete or asphalt in road constructions.

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Dump truck



Dump trucks are mainly used for carrying heavy materials such as sand or construction wastes/materials.

Wheel loader



Wheel loaders are mainly used for loading and carrying materials across a job site.

Generator



Generators are mainly used for supplying electric power.

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Crawler crane



Crawler cranes are mainly used for lifting and moving heavy materials.

Concrete mixer



Concrete mixers are mainly used for mixing cement, aggregate (such as sand) and water to form concrete.

BUSINESS

The following table sets out the details of our self-owned machinery:

	As at 31 March			As at the Latest
	2022	2023	2024	Practicable Date
	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>
Excavators	47	53	86	87
Crawler cranes	—	—	2	3
Bulldozers	—	—	2	2
Road rollers	7	7	12	12
Concrete mixers	—	—	6	6
Dump trucks	42	42	61	66
Generators	—	1	11	11
Wheel loaders	—	—	1	1
Sprinkler trucks	—	—	—	2
Total	96	103	181	190

The following table sets out the remaining useful life of our self-owned machinery as at 31 March 2024:

	Fully depreciated or	One year to less than	Two years to three	More than three
	less than one year	two years	years	years
	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>	<i>No. of units</i>
Excavators	14	—	3	69
Crawler cranes	—	—	—	2
Bulldozers	—	—	—	2
Road rollers	—	—	2	10
Concrete mixers	—	—	—	6
Dump trucks	26	5	10	20
Generators	—	—	—	11
Wheel loaders	—	—	—	1
Total	40	5	15	121

BUSINESS

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

Apart from the above, our Group owned 52 motor vehicles as at the Latest Practicable Date for the transportation of our project management staff.

Repair and maintenance

We continuously monitor the operating conditions of our self-owned machinery, based on which we make replacement and/or repair and maintenance decisions on an ongoing basis. Repair and maintenance works are carried out by external mechanics engaged by us as needed. For FY2021/22, FY2022/23 and FY2023/24, we incurred repair and maintenance expenses for our machinery of approximately HK\$2.5 million, HK\$3.9 million and HK\$5.3 million, respectively.

INSURANCE

During the Track Record Period, in projects where we act as main contractor, we are generally responsible for taking out all necessary insurances for us and our subcontractors for injuries at work, such as contractors’ all risk insurance, third party liability insurance and employees’ compensation insurance. In other projects where we act as subcontractor, our executive Directors confirmed that our works as well as our subcontractors’ works were covered by the employees’ compensation insurance, third party liability insurance and contractors’ all risks insurance taken out by the main contractors for the entire construction projects. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site and works performed by them in the relevant construction site. Our subcontractors are not obliged to indemnify our Group or the main contractors in case of any claim made by their employees for injuries at work which is covered by the insurance policies taken out by our Group or the main contractors (as the case may be).

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

Our executive Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. Our subcontractors maintain employees' compensation insurance for their employees pursuant to the Employees' Compensation Ordinance. Such insurance policy generally does not cover employees working in construction sites. As illustrated above, employees of subcontractors of all tiers working in the relevant construction site are covered and protected by insurance policies taken out by the main contractor (whether it is our Group acting as the main contractor or the main contractor of the relevant project where we work as subcontractor). According to the Industry Report, the abovementioned is common and consistent with the industry norm that the main contractor of a construction site or project be responsible to take out insurance policies to cover and protect all employees of main contractors and subcontractors of all tiers working in the relevant construction site.

Uninsured risks

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

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EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 376 employees (including our four executive Directors but excluding our three independent non-executive Directors). All our employees were stationed in Hong Kong. The following table sets out a breakdown of our employees by function:

Functions	As at 31 March 2022	As at 31 March 2023	As at 31 March 2024	As at the Latest Practicable Date
General management	7	8	7	8
Project management and supervision	16	21	23	23
Engineering	8	14	14	15
Safety	3	3	7	7
Procurement and quality control	8	14	13	18
Finance and administration .	24	26	36	30
Workers				
— On site	154	189	236	268
— Back Office	7	7	8	7
Total	227	282	344	376

Note: The above figures only include the number of employees as at the dates indicated and do not account for employees who left during that year/period.

Training and recruitment policies

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

We provide various types of training to our employees and sponsor our employees to attend various training courses covering areas such as technical knowledge relating to the carrying out of our projects works, safety, first aids, and environmental matters. Such training courses include our internal trainings as well as courses organised by external parties such as the Occupational Safety and Health Council. Employees carrying out construction works at construction sites are generally required to be registered pursuant to the Construction Workers Registration Ordinance (Chapter

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583 of the Laws of Hong Kong), which imposes certain training requirements on workers prior to registration, the details of which are set out in the paragraph headed “Regulatory Overview — Laws and regulations in relation to labour, health and safety” in this document.

Staff costs and remuneration policy

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

Our Group incurred staff costs (including Director’s remuneration) of approximately HK\$95.7 million, HK\$97.0 million and HK\$122.6 million for FY2021/22, FY2022/23 and FY2023/24, respectively. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not defaulted in payments to our employees and subcontractors.

Relationship with employees

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

LICENCES AND REGISTRATIONS

The following tables set forth details of the material licences and registrations of our Group as at the Latest Practicable Date:

1. Registered Electrical Contractor

<u>Relevant authority</u>	<u>Registration and qualification</u>	<u>Grantee</u>	<u>Date of first registration</u>	<u>Date of expiry</u>
EMSD	Registered Electrical Contractor	Wing Lee Construction (Note 4)	14 March 2017	13 March 2026
EMSD	Registered Electrical Contractor	Wing Lee Development (Note 4)	31 May 2018	30 May 2027

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2. List of Approved Contractors for Public Works

Relevant authority	Registration and qualification	Category (Status)	Grantee	Date of first registration	Date of expiry
Development Bureau . . .	Contractor on the List of Approved Contractors for Public Works	Roads and Drainage under Group A on probation ^(Note)	Kaiser Construction Engineering ^(Note 5)	26 October 2000	Not applicable

Note: Contractors in Group A are subject to tender limit for public works contracts under the relevant works category of value up to HK\$150 million. Among all applicable criteria as stipulated in the Contractor Management Handbook revised and published by the Development Bureau in January 2024, Kaiser Construction Engineering is required to have at least one technical personnel with at least one of the following qualifications, namely (i) Higher Certificate in a discipline relevant to the category of works from a Hong Kong Polytechnic, a Hong Kong recognised training institution or equivalent and one year local working experience in the relevant category of works; or (ii) Ordinary Certificate in a discipline relevant to the category of works from a Hong Kong Polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or (iii) at least ten years local working experience in the relevant category of works. Our Group intends to apply for “confirmed” status in respect of the probationary status of the List of Approved Contractors for Public Works under the category of Roads and Drainage (Group A) upon satisfaction of all the required conditions including (i) satisfactory completion or execution for a period of two consecutive years within the past five years, as the main contractor, of one Government contract; (ii) reaching over 50% of the applicable prevailing authorized contract value of Group A (i.e. HK\$75 million); and (iii) having experience in (a) construction of concrete carriageway; and (b) laying of pre-cast concrete pipes of various diameters. Our Directors are of the view that there should not be any obstacle in applying for the “confirmed” status once our Group satisfies all the aforesaid conditions and be eligible to lodge such application upon completion of Project No. #06 in June 2025.

3. Registered Specialist Trade Contractors Scheme

Relevant authority/ organisation	Registration and qualification	Trade	Grouping/ Specialty	Grantee	Date of first registration	Date of expiry
Construction Industry Council.	Registered specialist trade contractor	Concreting Concreting Formwork Reinforcement Bar Fixing	Group 1 Group 1 Group 1	Wing Lee Construction	30 March 2023	29 March 2026
Construction Industry Council.	Registered specialist trade contractor	Interior fitting-out	Group 1	Tai Shan Engineering	19 November 2020	18 November 2025

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Relevant authority/ organisation	Registration and qualification	Trade	Grouping/ Specialty	Grantee	Date of first registration	Date of expiry
Construction Industry Council.	Registered subcontractor	General Civil Works	— Roadworks	Wing Lee Construction	29 October 2019	28 October 2024
			— Road drainage and sewer			
			— Electrical wiring			
			— General electrical installation			
		Temporary Electricity Installations	— Electrical control and power panel assembly			
Construction Industry Council.	Registered subcontractor	General Civil Works	— Roadworks	Tai Shan Engineering	19 November 2020	18 November 2025
			— Road drainage and sewer			
			— Electrical wiring			
			— General electrical installation			
		Temporary Electricity Installations	— Electrical control and power panel			

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4. Registered Minor Works Contractor

Relevant authority	Registration and qualification	Category	Grantee	Date of first registration	Date of expiry	
Buildings Department . . .	Registered Minor Works Contractor	Class I, II, III (Note 1)	Type A (Note 2)	Wing Lee Construction (Note 6)	20 December 2018	26 November 2024
		Class II, III (Note 1)	Type B, D, E, F and G (Note 3)			
Buildings Department . . .	Registered Minor Works Contractor	Class II, III (Note 1)	Type A, B, C, D, E, F and G (Notes 2 and 3)	Wing Lee Development (Note 6)	21 January 2019	19 December 2024
Buildings Department . . .	Registered Minor Works Contractor	Class II, III (Note 1)	Type A, B, C, D, E, F and G (Notes 2 and 3)	Tai Shan Engineering (Note 6)	28 January 2019	19 December 2024

Notes:

1. Pursuant to the Building (Minor Works) Regulation, minor works are classified into three classes according to their scale, complexity and risk to safety.
2. Pursuant to the Building (Minor Works) Regulation, minor works are subject to different degrees of control, and grouped into eight types (i.e. Type A, B, C, D, E, F, G and H) according to their nature. Type A minor works refer to alteration and addition works.
3. Pursuant to the Building (Minor Works) Regulation, Type B, Type C, Type D, Type E, Type F and Type G minor works refer to repair works, works relating to signboards, drainage works, works relating to structures for amenities, finishes works and demolition works, respectively.
4. Our Group has successfully renewed the relevant licence or registration since its inception for two times.
5. There is no specified date of expiry and our Group is not required to apply for renewal upon expiry of a certain period of time. Nonetheless, in order to remain as a contractor on the List of Approved Contractors for Public Works, our Group shall provide documents including but not limited to the latest audited accounts and business registration certificate of Kaiser Construction Engineering to the Development Bureau upon request on an annual basis. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any material adverse comment or feedback from the Development Bureau.
6. Our Group has successfully renewed the relevant licence or registration since its inception for once.

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Our executive Directors are of the view that our aforesaid licences and registrations are adequate for our business needs, and do not expect to have any obstacle or difficulty in renewing our Group’s licences and registrations. As advised by our Hong Kong Legal Counsel, there are no legal impediments for application, maintenance and renewal of the above licences and registrations.

ENVIRONMENTAL COMPLIANCE

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

- ensuring our compliance with regulatory requirements, customers’ specifications and industry practices in relation to environmental protection;
- evaluating the environmental impact of our business activities, products and services and the associated environmental risks, and devising targets and plans for managing such risks;
- effectively conserving the use of resources and minimising waste generation;
- ensuring our subcontractors and their workers comply with our environmental protection policies; and
- providing trainings to our employees in relation to our environmental management system.

Our Group’s operations are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, water pollution control and waste disposal during the Track Record Period. For details of the regulatory requirements, please refer to the section headed “Regulatory Overview” in this document.

Our Directors confirm that, 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.

BUSINESS

OCCUPATIONAL HEALTH AND WORK SAFETY

Our Group places emphasis on occupational health and work safety. We have in place an occupational health and safety management system which is certified to be in compliance with OHSAS 18001:2007 and ISO 45001:2015 standards in order to promote a safe and healthy working environment.

Our Group has put in place an internal safety manual which sets out the work safety measures implemented by our Group to prevent workplace accidents at the construction sites. Set out below are some of the work safety measures included in our internal safety manual:

- organizing site safety induction briefing sessions for workers on the first day of work and provides trainings for the workers on site, including subcontractors' employees. Topics of the safety training typically cover safety procedures for performing civil and electrical cable engineering works, safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, potential hazards in respect of the work sites, function and proper usage of personal protection equipment, contingency measures at work sites, and good housekeeping of workplaces;
- effective promotion and communication of safety procedures are maintained through among others, establishing safety bulletins and detailed records of accident statistics, holding regular internal and external safety meetings, and documenting safety measures and issues identified for each project by preparing safety reports and training records;
- risk assessments are conducted to identify potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works;
- site inspections are carried out by our safety officers and/or safety supervisors on a daily basis to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations. We may also engage external safety consultants to assist with our safety supervision on a case-by-case basis;
- our safety officer shall (i) advise our senior management team on the legal requirements in respect of occupational health and safety matters; (ii) anticipate possible workplace hazards and recommend relevant prevention procedures; (iii) provide statistics and analysis on workplace accidents and make recommendations for improvement; (iv) report and investigate works accidents, determine their causes and recommend measures for preventing recurrence; and (v) arrange safety trainings for all our employees;

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- our project management team shall ensure that our work safety measures are incorporated into our proposed construction methods from the planning stage, and are subsequently adhered to throughout project implementation;
- our site foremen shall co-operate with our safety officer to establish on-site safety practices and ensure that all new comers to the construction sites are aware of their obligations to comply with such practices; and
- safety audits and safety reviews are conducted in accordance with the requirements of the Safety Management Regulation.

Our project management team is responsible for overseeing the implementation of our occupational health and safety policies and to ensure that we comply with applicable occupational health and safety standards. Our internal safety manual is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. Our safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents. We require our employees and our subcontractors' employees to strictly comply with our safety rules.

We provide suitable personal protective equipment such as full-body harness, safety helmet and safety boots to our employees and subcontractors based on the type of works undertaken by them. We also provide safety training to all of our employees who are working at the construction sites to ensure that they are aware of and comply with our internal safety guidelines.

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

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Handling and recording of workplace accidents

Our Group has a proper system in place for handling and recording work accidents during the Track Record Period and up to the Latest Practicable Date. Set out below is our general procedures for handling and recording work accidents:

- Upon occurrence of an accident, we require the injured worker or person who witnessed the accident to report to our safety officer or safety supervisor (as the case may be) about the details of the accident on a timely basis, including the venue, time, cause of injury, etc.
- Our safety officer or safety supervisor (as the case may be) will prepare a notice of accident and send the notice of accident to the site agent and our administrative staff detailing the venue, date and time of the accident, name of the injured, details of the accident and injury and follow up action performed by the safety officer after the occurrence of the accident. Our administrative staff maintains a master file for recording all details of injury cases.
- Our administrative staff will report the work injury case on time to the main contractor (if applicable) and the Labour Department in accordance with the relevant requirements.

Work-related accidents during the Track Record Period and up to the Latest Practicable Date

Work-related accidents involving our employees

During the Track Record Period and up to the Latest Practicable Date, we recorded five work-related accidents involving our employees. The table below sets out details of these accidents:

No	Date	Details of the accident
1.	7 September 2021	An employee of our Group purportedly claimed that he sustained left ankle sprain while he was walking outside the storage container during the course of employment, which was subsequently settled. <i>(Note 1)</i>

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No	Date	Details of the accident
2.	23 July 2023	An employee of our Group purportedly claimed that he sustained little finger crush injury as a result of an alleged negligence on the part of another employee of our Group, which was subsequently discontinued. <i>(Note 2)</i>
3.	26 August 2023	An employee of our Group purportedly claimed that she sustained a sprained ankle injury when she was climbing up the compactor and slipped by the muddy surface during the course of employment. <i>(Note 3)</i>
4.	26 October 2023	An employee of our Group purportedly claimed that he sustained a sprained injury and suffered from leg pain while he was getting on a vehicle during the course of employment, which was subsequently settled. <i>(Note 4)</i>
5.	16 February 2024	An employee of our Group purportedly claimed that he sustained chest contusion as a result of bodily collision with another work supervisor during the course of employment. <i>(Note 5)</i>

Notes:

1. This case was subsequently settled between the employee and our Group on 18 November 2021.
2. The legal proceedings was subsequently discontinued with a notice of discontinuance filed by the applicant on 16 April 2024. As advised by our Hong Kong Legal Counsel, while discontinuance is not a defence of our Group to subsequent new action for the same cause of action, the employee involved is barred from bringing a new action against our Group for double recovery of reliefs as compensation has been paid.
3. This case was subsequently settled between the employee and the insurer of the relevant main contractor on 4 July 2024 and as advised by our Hong Kong Legal Counsel, there are no further liabilities for our Group and the employee involved is barred from bringing proceedings of the same incident against our Group.
4. This case was subsequently settled between the employee and our Group on 1 November 2023.
5. As at the Latest Practicable Date, this case had been reported to the Labour Department and the relevant insurer, and no legal proceedings have been brought against us. This accident relates to the potential claim as referred to in the paragraph headed "Litigation and claims — Potential claims" in this section.
6. The above claims by our employees will be covered by the requisite insurance policies which we have taken out in respect of those project(s) where we were the main contractor or insurance policies taken out by the relevant main contractors in respect of project(s) where we were the subcontractor.

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Work-related accidents involving employees of our subcontractors

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and information of our Directors, there were three work-related accidents involving employees of our subcontractors in respect of projects where we were appointed as subcontractor of the main contractors. The table below sets out details of these accidents:

No	Date	Details of the accident
1.	6 August 2021	The individual involved claimed that he sustained a right wrist fracture injury due to a slip and loss of balance during the course of employment, which was subsequently discontinued. <i>(Note 1)</i>
2.	16 December 2023.	The individual involved claimed that he sustained finger injury while he was hammering rebar during the course of employment. <i>(Notes 2 and 4)</i>
3.	15 June 2024.	The individual involved claimed that he sustained finger injury while he was operating an iron bending machine during the course of employment. <i>(Notes 3 and 4)</i>

Notes:

1. The legal proceedings was subsequently discontinued with a notice of discontinuance filed by the applicant on 28 November 2023. As advised by our Hong Kong Legal Counsel, (i) the applicant is an employee of our subcontractor and the subcontractor had paid the compensation to the applicant, and (ii) the applicant is barred from bringing a new action against us for double recovery.
2. As at the Latest Practicable Date, this accident had been reported to the Labour Department and no legal proceedings had been brought against us. This relates to the potential claims as referred to in the paragraph headed "Litigation and claims — Potential claims" in this section.
3. As at the Latest Practicable Date, this accident had been reported to the Labour Department and no legal proceeding had been brought against us. This relates to the potential claims as referred to in the paragraph headed "Litigation and claims — Potential claims" in this section.
4. Such claim would be covered in the insurance policies taken out by the relevant main contractors.

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In addition to the existing work safety measures, we have enhanced our relevant internal measures, which included:

- In the event of a work-related injury, the management shall hold a briefing with the relevant on-site personnel to understand the cause of the accident and any safety-related violations, and remind the on-site workers (including employees and subcontractors) to raise their awareness of occupational safety and health;
- A summary of the work-related injuries is prepared to record work-related injury that have occurred, and to be reviewed by the management on a regular basis;
- The management will review and assess the safety policies on a monthly basis; and
- Prior to commencing construction work, insurance coverage of the main contractor is evaluated by the management to ensure that there is adequate insurance coverage for the employees.

Forvis Mazars RAS, an independent internal control adviser being engaged by our Group, conducted a review to verify the effectiveness of our Group's enhanced internal control mechanism over work safety management in July 2024. During the internal control review, Forvis Mazars RAS concluded that, as of 30 June 2024, Forvis Mazars RAS did not identify any material internal control deficiencies of the enhanced internal control mechanism over work safety management of our Group. Hence, Forvis Mazars RAS is of the view that those enhanced internal control mechanisms over work safety management are adequate and effective.

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Analysis of accident rates

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the Track Record Period:

	Industry average in Hong Kong ^(Note 1)	Our Group ^(Notes 2 and 3)
From 1 January to 31 December 2021		
Accident rate per 1,000 workers	29.5	6.04
Fatality rate per 1,000 workers	0.218	N/A
From 1 January to 31 December 2022		
Accident rate per 1,000 workers	29.1	N/A
Fatality rate per 1,000 workers	0.162	N/A
From 1 January to 31 December 2023		
Accident rate per 1,000 workers	N/A ^(Note 4)	14.0
Fatality rate per 1,000 workers	N/A ^(Note 4)	N/A
From 1 January to 31 July 2024		
Accident rate per 1,000 workers	N/A ^(Note 4)	3.55
Fatality rate per 1,000 workers	N/A ^(Note 4)	N/A

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.23 (August 2023) published by the Occupational Safety and Health Branch of the Labour Department.
2. Our Group’s accident rate is calculated as the number of industrial accidents during the year/period divided by the monthly average of the construction site workers in our Group’s projects during the year/period.
3. The above data provided includes the employees of our Group during the Track Record Period.
4. The relevant data has not been published as at the Latest Practicable Date.

The following table sets forth our Group’s lost time injuries frequency rate (“LTIFR”) during the Track Record Period:

	LTIFR ^(Note 1)
For the year ended 31 March 2022	2.04
For the year ended 31 March 2023	N/A
For the year ended 31 March 2024	6.44

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year by 1,000,000 divided by the number of hours worked by site workers over the same year. It is assumed that the number of working hour of each worker is 9 hours per day.
2. The above data provided includes the employees of our Group and workers of subcontractors during the Track Record Period.

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PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties in Hong Kong for our operations, details of which are set out as follows:

Address	Tenant	Landlord	Use of property	Approximate area (sq.ft.)	Key terms of tenancy
Workshop A6, 16th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	Wing Lee Group (Holdings)	An independent third party	Office	5,140	Monthly rental of HK\$83,000 with tenancy period from 1 February 2024 to 31 January 2026
Workshop B3, 15th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	Wing Lee Group (Holdings)	An independent third party	Office	1,690	Monthly rental of HK\$27,000 with tenancy period from 7 May 2024 to 6 May 2026
Workshop B3, 8th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	Kaiser Construction Engineering	An independent third party	Office	1,690	Monthly rental of HK\$26,500 with tenancy period from 1 May 2024 to 30 April 2026
The Remaining Portion of Lot No. 1211, The Remaining Portion of Lot No. 1215, Lots Nos. 40, 41 and 42 all in Demarcation District No. 451 (now known as No. 50 Lo Wai, Tsuen Wan, New Territories, Hong Kong) together with Warehouse ^(Note)	Wing Lee Construction	An independent third party	Warehouse	22,000	Monthly rental of HK\$88,000 with tenancy period from 1 March 2023 to 28 February 2025

BUSINESS

<u>Address</u>	<u>Tenant</u>	<u>Landlord</u>	<u>Use of property</u>	<u>Approximate area (sq.ft.)</u>	<u>Key terms of tenancy</u>
Land in Ngau Tam Mei, Yuen Long, New Territories, Hong Kong on DD104 Lot 795, 796, 798, 799, Remaining Portion of 797, Remaining Portion of 800, Remaining Portion of 4179, Remaining Portion of 4187 ^(Note)	Tai Shan Engineering	An independent third party	Warehouse	66,000	Monthly rental of HK\$161,000 with tenancy period from 15 March 2023 to 14 March 2025
Heavy Goods Vehicle Parking Space No. HGV6 & HGV7 on 1st Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	Wing Lee Group (Holdings)	An independent third party	Carpark	Not applicable	Monthly rental of HK\$22,000 with tenancy period from 15 July 2024 to 14 July 2026

Note: Our Group is not the registered owner of and merely leases the above parcels of land (collectively, the “**Relevant Land**”) as warehouses/open storage. Under the Government lease in respect of the Relevant Land, the land use of the Relevant Land is restricted to agricultural or garden ground use.

Notwithstanding this, the Hong Kong Legal Counsel has advised that our Group’s use of the existing structure put up by the landlords on the Relevant Land as warehouses/open storage in the Relevant Land does not involve a substantial change in the physical character of the Relevant Land and as such, such use is unlikely to be regarded as “development” under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong) such as carrying out building, engineering, mining or other operations in, on, over or under land or making a material change in the use of land or building outside the scope of existing use or permitted development under the plan of the development permission. Premised on this, the Hong Kong Legal Counsel opined that our Group has not breached the Government lease of the Relevant Land. As at the Latest Practicable Date, our Directors confirmed that they have identified a few alternative sites at comparable terms in the New Territories, and if we are required to be vacated from the Relevant Land and therefore need to move to another premises of comparable size, our Directors expect that the relocation cost to be approximately HK\$1.0 million, and it would take around one month for such relocation. Taking into account the abovementioned advice of the Hong Kong Legal Counsel and the contingency plan for relocation, our Directors are of the view that our Group’s use of the Relevant Land has no material adverse impact on the business operation of our Group. For the associated risk, please refer to the paragraph headed “Risk Factors — We may be required to be vacated from our leased premises which are used as warehouse/open storage and we may not be able to secure suitable and immediately available alternative premises or at a reasonably commercial price” in this document.

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As at 31 March 2024, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group had made application for registration of the registered owner of one domain name and had registered ten trademarks in Hong Kong. For further information, please refer to the paragraph headed “B. Further information about the business of our Group — 2. Intellectual property rights” in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

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.

LITIGATION AND CLAIMS

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

BUSINESS

Potential claims

Occurrence of employees’ compensation applications and common law personal injuries actions by our employees which arise out of or in the ordinary of their employment is not uncommon in the industry where we operate.

Potential claims refer to those claims that have not been commenced against our Group but are within the limitation of two years (for employees’ compensation applications) or three years (for common law personal injuries actions) from the date of the relevant incident causing the injury pursuant to the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), respectively.

As disclosed in the paragraph headed “Work-related accidents during the Track Record Period and up to the Latest Practicable Date” in this section, we recorded five work-related accidents involving our employees and three work-related accidents involving employees of our subcontractors during the Track Record Period and up to the Latest Practicable Date. These accidents may give rise to one potential claim by one of our employees and two potential claims by two employees of our subcontractors, where such individuals were purportedly injured in the ordinary course of their employment with our Group or as the case may be, our subcontractors. As advised by our Hong Kong Legal Counsel, the relevant limitation periods for the injured to commence such claims have not expired.

As the relevant court proceedings have not been commenced, we are not in the position to assess the likely quantum in respect of the above potential claims. Our Directors are of the view that the amount of such potential claims to be borne by our Group, if any, shall be covered by the insurance policies taken out by the relevant member(s) of our Group, or would be able to claim under the insurance policies taken out by the relevant main contractor(s) for where our Group acts as a subcontractor. Accordingly, our Directors consider that these potential claims will not have any material adverse impact on our operation and financial condition and no provision had been made in respect of these potential claims.

BUSINESS

Litigation

Ongoing litigation involving our Group as at the Latest Practicable Date

The table below sets out details of an ongoing legal proceedings against us as at the Latest Practicable Date:

Nature of claim	Plaintiff	Defendants	Particulars of claim	Status as at the Latest Practicable Date
Personal injuries claim	Individual A <i>(Note)</i>	Worker A (First Defendant) Wing Lee Construction (Second Defendant)	The Plaintiff claimed that on 11 April 2020, he sustained personal injuries of sprained neck, right hip and right shoulder injury and the estimated total loss and damages is approximately HK\$445,151 arising out of an alleged negligent driving of the First Defendant, being an employee of the Second Defendant at the material time. The Plaintiff further claimed against the Second Defendant for being vicariously liable for the above loss and damages claimed by the Plaintiff.	The case is now in the stage of preparing witness statements and expert medical evidence. A checklist review hearing was held on 24 July 2024 for further case management directions. The next hearing is scheduled on 12 February 2025.

Note: Individual A is a third party owner and driver of a motorcycle which collided with the vehicle registered under the name of Wing Lee Construction.

As advised by our Hong Kong Legal Counsel, the amount claimed in the above ongoing legal proceedings, if any, shall be covered by the third party insurance and our Group would not have any further financial or operational impact. As such, our Directors consider that the above legal proceedings will not have any material adverse impact on our business operations and financial performance and no provision had been made in respect of such ongoing litigation case.

Indemnity executed by our Controlling Shareholders

Our Controlling Shareholders have executed into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any legal proceedings instituted by or against our Group and non-compliance by our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this document for details.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our Group’s governance on environmental-related risks, climate-related risks and opportunities, and social responsibilities

Our Group recognises the importance of environmental, social and governance (“**ESG**”) for sustainable corporate development. We are committed to complying with the Stock Exchange’s reporting requirements on ESG following the [REDACTED]. We will formulate an ESG policy (the “**ESG Policy**”) which will outline, among others, (a) the appropriate risk governance on ESG matters; (b) ESG strategy formation procedures; (c) ESG risk management and monitoring; and (d) identification of key performance indicators (“**KPI(s)**”) and the relevant measurements. The ESG Policy will be formulated in accordance with the standards of Appendix C2 to the Listing Rules and be reviewed on an annual basis to ensure that it remain relevant and appropriate to the needs of our operation.

Our Board is primarily responsible for (i) appointing our Group’s key person responsible for ESG issue; (ii) reviewing the identified ESG risks of our Group; (iii) determining and approving the ESG policy, strategies, action plans and targets; (iv) environmental, social and corporate governance; (v) approving the implementation of ESG-related measures and the resources required; (vi) ensuring that our Group makes appropriate ESG disclosures, and pays attention to and promotes the improvement of ESG performance; and (vii) reviewing and approving annual ESG reports.

Upon the [REDACTED], our Board and senior management will be responsible for (i) formulating and implementing the ESG Policy, targets and strategies, and regularly reviewing whether relevant ESG policies are effectively implemented; (ii) conducting regular materiality assessments of environmental, climate, social and operational risks and ESG issues; (iii) identifying and continuously monitoring our Group’s ESG-related risks; (iv) ensuring that our Group has established appropriate and effective ESG risk management and internal control systems; (v) supervising and evaluating the implementation and performance of ESG-related measures to ensure our Group’s compliance with relevant regulations, industry standards and practices; (vi) communicating with our management on ESG matters during our ordinary operations; (vii) reviewing and auditing annual ESG reports; and (viii) regularly reporting to our Board on the progress and performance of ESG work.

The Board of our Group is mainly responsible for overseeing ESG matters related to our Group, including determining ESG plans, understanding and controlling ESG-related risks, and supervising the management and relevant departments on the formulation and implementation of ESG policies and measures. The Board also requires that the management of our Group shall

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proactively report to the Board on ESG-related matters involved in our ordinary operations and subsequent follow-ups, such as significant deviations in ESG performance indicators from preset targets, major ESG incidents, and changes in regulatory ESG policies.

Materiality assessment

We have conducted a materiality assessment to identify the most important ESG issues to our business. We believe that appropriate input from stakeholders allows us to better understand their concerns which will enable us to review and prioritise ESG issues, therefore, we can establish ESG strategies to better align with stakeholders’ expectations and our commitment to sustainable development.

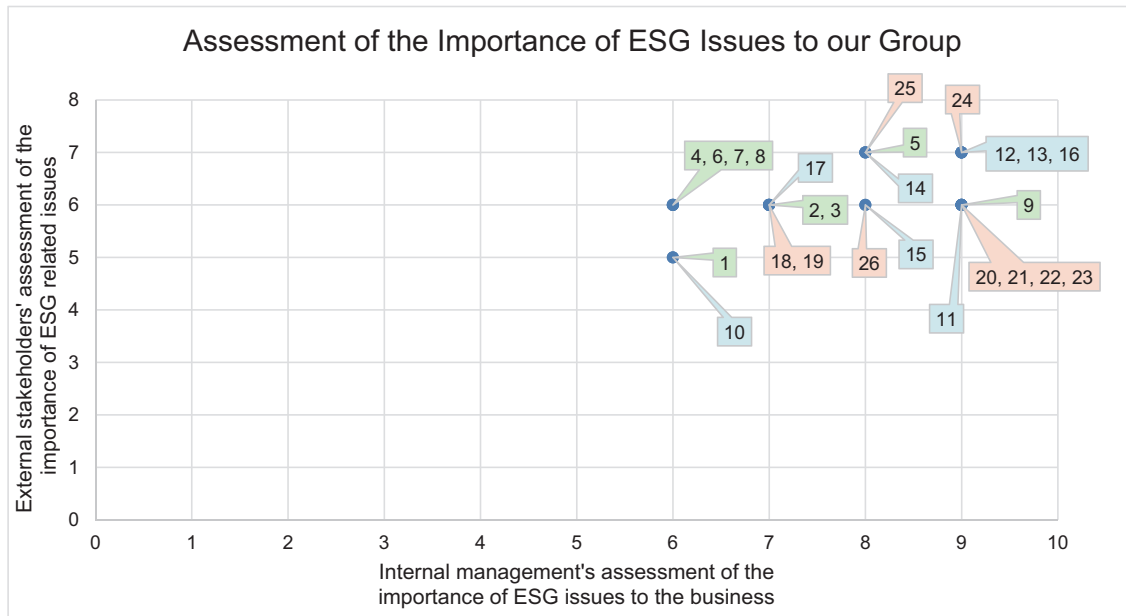
Our Company has maintained a close relationship with its stakeholders and has sought to understand their suggestions and views through various communication methods. We believe that active stakeholder engagement is an integral part of the sustainable management of our Company. Under the leadership of the Board, our Company has grouped its key stakeholders and, based on the views and suggestions gathered through communication, has summarised stakeholders’ expectations of our Company. Stakeholders were invited to review the importance of emerging ESG issues to our business, and the assessment was conducted in three steps: identification, prioritisation and validation.

Based on stakeholders’ expectations and concerns, we have identified our Company’s ESG topics and invited stakeholders (including management, employees, customers, suppliers/subcontractors and other stakeholders) to complete questionnaires on various ESG topics to collect their views and suggestions. The questionnaire focused on three categories of ESG topics identified by our Company, namely the environment, social, and operational. Stakeholders would be divided into two groups, namely internal stakeholders (i.e. the management and employees) and external stakeholders (including but not limited to customers, and suppliers/subcontractors), and they were asked to rate each ESG issue from 0 to 9 based on its importance under each category, where a score of 0 represents an irrelevant ESG issue, and a score of 9 represents a crucial ESG issue. This process has enabled us to identify relevant material ESG issues and prioritise them.

The questionnaires results were then consolidated, analysed, and assessed to identify a prioritised list of ESG issues. This information was used to formulate a materiality matrix, which plotted the ratings based on their importance to our Group and to the stakeholders. The prioritised list of material ESG issues were then presented to the management for discussion and validation. Finally, with reference to the scope of the ESG Policy, our Group’s business characteristics, and the results gathered from various stakeholders, all responses from both stakeholder groups were weighted equally, and the material topics identified were analysed and formulated into the materiality matrix.

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Based on the results of the questionnaires, we have compiled the following matrix for assessing the materiality of the ESG issues. With reference to the materiality matrix, the relevant ESG issues located at the top right position represent ESG issues that are more material to our Group.



No.	ESG Topics
Environmental Issues:	
1	Greenhouse gas emission/global warming
2	Exhaust air emission
3	Energy consumption
4	Water consumption
5	Hazardous waste/sewage
6	Non-hazardous waste/sewage
7	Paper consumption
8	Climate change
9	Compliance with environmental laws and regulations

No.	ESG Topics
Social Issues:	
10	Public health crisis
11	Employee rights and welfare
12	Inclusion, equal opportunities and anti-discrimination
13	Talent attraction and retention
14	Occupational health and safety
15	Training and development
16	Preventive measures for child and forced labor
17	Community investment and engagement

No.	ESG Topics
Operational Issues:	
18	Supply chain management
19	Labour standards in supply chain
20	Customer satisfaction
21	Customers' privacy
22	Product quality and safety
23	Intellectual property
24	Economic performance
25	Operational compliance
26	Anti-corruption

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Based on the above materiality assessment analysis, we have identified five key ESG issues grouped under three categories of the ESG topics (i.e., environmental, social, and operational), which comprise (i) No. 9 compliance with environmental laws and regulations under environmental issues; (ii) No. 12 inclusion, equal opportunities and anti-discrimination, No. 13 talent attraction and retention and No. 16 preventive measures for child and forced labor under social issues, and (iii) No. 24 economic performance under operational issues.

The concerns of the five key ESG issues are integrated into our operations, and we remain committed to address them proactively. For details of the five key ESG issues under environmental issues, social issues and operational issues, please refer to the paragraph headed “Environmental matters”, “A. Employment — Social matters”, “D. Labour standards — Social matters”, and “F. Services responsibility — Social matters” in this section, respectively.

We are committed to continuously monitoring ESG issues so as to effectively allocate our resources to where they are most needed, thereby strategically supporting our business development plans. We will strengthen our communication with stakeholders and gather opinions through various channels for a more comprehensive analysis. Maintaining close communication ensures timely responses to concerns and comments. Additionally, we will conduct periodical review of the latest ESG reporting requirements, and then update our internal ESG guidelines on ongoing basis in order to compliance with the ESG reporting requirements and better align with stakeholders’ expectations regarding ESG report content and information disclosure. We also monitor industry trends and updated regulatory requirements to ensure our ESG reporting aligns with stakeholder expectations. In the future, we will timely review and update our ESG issues list to reflect stakeholders’ concerns across different ESG issues.

Environmental matters

Our Group will make best efforts to minimise the environmental impact of its business operations, and is committed to reducing the adverse effects of corporate operations on the environment as much as possible.

Our Group has obtained ISO 9001:2015 and ISO 45001:2018 certifications from the International Organization for Standardization (ISO). We conduct our construction and operations in accordance with the accredited policies and procedures to enhance regulation of site workers and subcontractors, minimise potential environmental impacts during construction and promote sustainable development practices.

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Our Group has also established an environmental management plan as an organisational framework of the main contractor for civil construction projects, which outlines the functions and responsibilities of our environmental management. An environmental management team will be set up for each project to monitor the effectiveness of the environmental management plan and related mitigation measures, thereby reducing the environmental impact of our operations. We will also regularly review and update the environmental management plan as necessary to comply with relevant environmental regulations. Furthermore, as a contractor, we actively participate in on-site environmental orientation training organised by the main contractor of the construction project to enhance knowledge of environmental laws and related mitigation measures, and to promote sustainable business practices in our business activities.

Set out below are policies in addressing different environmental issues pertinent to our Group:

A. Emission

Air pollutant emissions

The sources of air pollutant emissions generated by our Group during its ordinary operations primarily include: 1) gasoline and diesel consumed by private vehicles¹ and trucks; 2) diesel consumed by forklifts used to transport materials and equipment at construction sites; 3) Naphtha² and diesel used by construction equipment during ordinary operations; and 4) gasoline and diesel consumed by generators used at construction sites. The air pollutants emitted from the combustion of gasoline and diesel by vehicles and forklifts include nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM). Save as the above-mentioned fuels used by our Group, our Group's operations do not involve the use of coal gas, natural gas, liquefied petroleum gas and other fuels.

¹ As some of our Group's private vehicles are involved in both operational activities and private purposes, and due to the inability to determine fuel consumption attributable to operational activities. Therefore, the air pollutants emissions statistics do not include the fuel consumption data of these private vehicles.

² Given the minimal usage of Naphtha within our Group, relevant data is excluded from the air pollutants emissions statistics.

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The table below sets forth the details of air pollutants emitted from our Group’s fuel combustion during the Track Record Period:

Air pollutants ^{3,4,5}	Unit	Emissions in FY2021/22	Emissions in FY2022/23	Emissions in FY2023/24
Nitrogen oxides (“NOx”)	kg	182,559.8	32,553.3	46,380.3
Sulfur oxides (“SOx”) ⁶	kg	1.1	1.3	1.0
Particulate Matter (“PM”)	kg	11,776.4	2,102.7	2,994.3
Air pollutant emissions data				
Total air pollutant emissions	kg	194,337.3	34,657.3	49,375.6
Air pollutant emissions density	kg/HKD million revenue	442.9	102.3	94.4

In order to reduce our dependence on fossil fuels, our Group has commenced the transition to replace traditional equipment with new energy equipment and to replace non-renewable resources with clean energy since 2023.

³ Due to the inability to collect the parameters of all construction equipment, the calculation of air pollutants emitted by construction equipment assumes that each type of equipment emits equivalent amounts of nitrogen oxides, sulfur oxides and particulate matter during use.

⁴ Given the minor usage of fossil fuels in some projects, the air pollutant emissions statistics only account for those with significant fossil fuel usage rather than all projects.

⁵ As some projects had fuel supplied by the main contractor from 2021 to May 2023, the diesel consumption for FY2021/22 and FY2022/23 is calculated based on data provided by the main contractor.

⁶ Due to the inability to collect all specifications of diesel, and given that the Government has restricted the sulfur content of diesel for industrial and commercial purposes to less than 0.005% by weight since October 2008, the calculation of air pollutants emitted by construction equipment assumes that the sulfur content of diesel used in all construction equipment is 0.005%.

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We have adopted the following measures to minimise air pollutant emissions from our operations:

- regular maintenance and inspection of vehicles owned by our Group to ensure their normal operation and avoid additional fuel consumption due to decreased fuel efficiency;
- encouraging employees to plan their driving routes in advance to reduce unnecessary fuel consumption caused by extended driving time;
- encouraging employees to use public transportation;
- allocating more resources for environment-friendly vehicles and clean energy, including replacing traditional vehicles with electric ones to reduce gasoline usage; and
- increasing investment in environment-friendly equipment, including procuring new environment-friendly equipment from approved suppliers to replace traditional machinery, thus reducing our dependence on traditional equipment while taking into account business development needs, as well as gradually reducing the use of non-renewable energy to lower carbon and exhaust emissions of our Group.

Exhaust emissions

Our ordinary operations involve extensive construction activities, including demolition, drilling or excavation of rocks near the public or man-made hard materials, thus inevitably generating dust and particulate matter emissions during construction. We recognise that direct emissions of such exhaust into the atmosphere could severely impact the environment surrounding the construction sites. Currently, our Group has not collected relevant exhaust emissions data. Nonetheless, we have implemented a series of environmental measures to manage exhaust emissions during construction.

We have adopted the following dust control measures:

- providing silent, high-pressure electric sprayers at construction sites, so that workers can activate automatic sprinkler after adjusting the angle of sprayers during excavation and ground-breaking activities to reduce the impact of dust dispersion on the environment; and

BUSINESS

- requiring all employees to wear industrial dust masks during construction activities to effectively filter air particulates, including dust and smoke, so as to prevent employees from directly inhaling relevant exhaust and dust and protect their health.

Greenhouse gas emissions

The greenhouse gas (“GHG”) emissions^{7,8} of our Group during its ordinary operations are mainly generated from 1) gasoline and diesel consumed by private vehicles⁹ and trucks; 2) diesel consumed by forklifts used to transport materials and equipment at construction sites; 3) Naphtha¹⁰ and diesel used by construction equipment during ordinary operations; 4) electricity consumption during our operations; and 5) indirect GHG emissions from other business activities, such as disposal of waste paper to landfills, waste disposal, and electricity used for drinking water and sewage treatment. As such, in addition to regularly monitoring gas fuel usage and vehicle operation, our Group also endeavours to reduce electricity and water consumption to implement carbon reduction plans.

The table below sets forth the details of our Group’s GHG emissions during the Track Record Period:

Scope	Sources of GHG emissions	Unit	FY2021/22	FY2022/23	FY2023/24
Scope 1	Direct GHG emissions from the use of generators and construction equipment (stationary combustion sources)	tCO2e	17,322.9	3,069.7	4,390.7
	Direct GHG emissions from vehicle use (mobile combustion sources)	tCO2e	180.5	202.1	177.9
Scope 2	Indirect GHG emissions from purchased electricity ¹¹	tCO2e	52.8	44.1	56.3

⁷ Given the minor usage of fossil fuels in some projects, the GHG emissions statistics only account for those with significant fossil fuel usage rather than all projects.

⁸ As some projects had fuel supplied by the main contractor from 2021 to May 2023, the diesel consumption for FY2021/22 and FY2022/23 is calculated based on data provided by the main contractor.

⁹ As some of our Group’s private vehicles are involved in both operational activities and private purposes, and due to the inability to determine fuel consumption attributable to operational activities, the GHG emissions statistics do not include the fuel consumption data of these private vehicles.

¹⁰ Given the minimal usage of Naphtha within our Group, relevant data is excluded from the GHG emissions statistics.

¹¹ According to the latest data from CLP Holdings, the carbon dioxide (“CO2”) emissions intensity of electricity sold by CLP Power Hong Kong for 2021, 2022 and 2023 is 0.39 kg/kWh.

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Scope	Sources of GHG emissions	Unit	FY2021/22	FY2022/23	FY2023/24
Scope 3	Waste paper disposed in landfills	tCO ₂ e	6.1	9.1	9.3
	Electricity used for drinking water and sewage treatment ^{12,13}	tCO ₂ e	1.1	25.7	3.1
GHG emissions data					
	Total GHG emissions	tCO ₂ e	17,563.4	3,350.7	4,637.3
	GHG emissions density	tCO ₂ e/HKD million revenue	40.0	9.9	8.9

In order to reduce our dependence on fossil fuels, our Group has commenced the transition to replace traditional equipment with new energy equipment and to replace non-renewable resources with clean energy since 2023.

We have adopted the following measures to minimise GHG emissions from our operations:

- encouraging employees to use public transportation;
- adopting corresponding power-saving measures, including posting reminders in offices to turn off unused equipment such as air conditioners and lighting systems;
- prioritising the purchase of energy-efficient office equipment to reduce electricity consumption in all aspects; encouraging double-sided printing to save office paper; and
- promoting water conservation among employees during ordinary operations to avoid wastage of drinking water.

¹² According to the latest data from the Hong Kong Water Supplies Department for FY2021/22, the unit electricity consumption for drinking water treatment in Hong Kong is 0.621 kWh/m³. According to the latest data from the Hong Kong Drainage Services Department for FY2021/22, the electricity consumption for sewage treatment in Hong Kong is 0.3 kWh/m³. The preset emission coefficient for purchased electricity in Hong Kong is 0.7 kg/kWh. As the data for FY2022/23 and FY2023/24 have not yet been released, relevant GHG emissions for FY2022/23 and FY2023/24 are calculated using the relevant emission coefficient for FY2021/22.

¹³ Due to the inability to collect all water bills of our Group during the Track Record Period, when calculating the water consumption in each year, some monthly water consumption data is roughly calculated by the average daily water consumption displayed on the water bills for each metre reading month multiplied by the number of days in the respective months.

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Waste disposal management

(a) Hazardous waste management

Due to the nature of our business, our Group does not directly generate any hazardous waste in the course of our operations. Common hazardous waste from construction sites, such as batteries and vehicle waste oil, is managed by qualified third-party suppliers during their routine maintenance and inspections of vehicles and machinery. Currently, our Group has only implemented environmental measures for the above-mentioned waste disposal, but has not collected relevant data on indirectly generated hazardous waste. Therefore, we are unable to disclose relevant data.

(b) Non-hazardous waste management

The non-hazardous waste generated by our Group during its ordinary operations mainly consists of construction waste (including inert and non-inert waste) and paper used in its ordinary business activities. Details are as follows:

<u>Sources of emission</u>	<u>Sources of non-hazardous waste</u>	<u>Unit</u>	<u>FY2021/22</u>	<u>FY2022/23</u>	<u>FY2023/24</u>
Construction activities	Construction waste	tonne	16,778.2	21,021.5	16,553.2
Paper	Ordinary office paper	tonne	1.3	1.9	1.9
Non-hazardous waste data					
Total amount of non-hazardous waste		tonne	16,779.5	21,023.4	16,555.1
Non-hazardous waste density		tonne/HKD million revenue	38.2	62.0	31.7

To minimise the environmental impact of non-hazardous waste from our operations, our Group has implemented the following waste management measures and different waste reduction measures:

- conducting strict review of materials required for project budget to avoid unnecessary waste;
- educating all employees on sorting reusable and recyclable materials for collection and recycling by contractors and our Company;
- centralised collection of construction waste for disposal in landfills and recycling for further use by approved service providers;

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- strictly complying with the “Construction Waste Disposal Charging Scheme” of the Environmental Protection Department to responsibly dispose of waste from construction projects and implement waste control and recycling measures to minimise unnecessary waste;
- encouraging employees to adopt paper-saving practices, use double-sided printing for daily documents, and collect recyclable waste paper for recycling; and
- monitoring and reviewing ordinary business procedures within our Group, and replacing unnecessary paper documents with electronic ones to reduce paper consumption.

B. Resources consumption

Energy consumption

Our Group’s direct energy consumption is mainly generated from 1) gasoline and diesel for vehicles¹⁴ and forklifts; 2) Naphtha¹⁵ and diesel used by construction equipment during ordinary operations; and 3) gasoline and diesel consumed by generators used at construction sites. Our indirect energy consumption is mainly generated from purchased electricity. Set out below are the details of our Group’s energy consumption during the Track Record Period:

Types of energy	Unit	FY2021/22	FY2022/23	FY2023/24
Direct energy ^{16, 17}				
— Diesel	MWh	71,059.7	12,628.9	18,064.0
— Gasoline	MWh	553.2	666.2	551.2
Indirect energy				
— Electricity	MWh	135.3	113.1	144.5
Total energy consumption	MWh	71,748.2	13,408.2	18,759.7
Energy consumption density	MWh/HKD million revenue	163.5	39.6	35.9

¹⁴ As some of our Group’s private vehicles are involved in both operational activities and private purposes, and due to the inability to determine fuel consumption attributable to operational activities, the energy consumption statistics do not include the fuel consumption data of these private vehicles.

¹⁵ Given the minimal usage of Naphtha within our Group, relevant data is excluded from the energy consumption statistics.

¹⁶ Given the minor usage of fossil fuels in some projects, the energy consumption statistics only account for those with significant fossil fuel usage rather than all projects.

¹⁷ As some projects had fuel supplied by the main contractor from 2021 to May 2023, the diesel consumption for FY2021/22 and FY2022/23 is calculated based on data provided by the main contractor.

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Since 2023, our Group has purchased 12 electric private vehicles for office use and two electric excavators for construction purposes to gradually reduce our dependence on and use of diesel private vehicles and construction machinery. Save as the above-mentioned energy-saving measures relating to the purchase of electric private vehicles and electric excavators, our Group has formulated the following energy-saving management measures to minimise waste of energy:

- posting reminders in offices to turn off unused electrical appliances (such as air conditioners and lighting systems), adjusting the air conditioning system in the office to a specific temperature, and encouraging employees to set air conditioners to a comfortable temperature to avoid resource wastage; and
- selecting new electrical appliances and lighting fixtures with higher energy-efficiency labels to enhance energy efficiency and reduce electricity consumption in all aspects.

Water consumption

The consumption of water resources has always been an environmental issue of global concern, and conserving water is a crucial goal for our Group. Our water consumption is mainly generated from construction projects. During the Track Record Period¹⁸, our Group's water consumption in FY2021/22 was approximately 1,704.8 m³, with a water consumption density of approximately 3.9 m³ per HKD million revenue. In FY2022/23, our Group's water consumption increased to approximately 39,903.0 m³, and the water consumption density increased to approximately 115.0 m³ per HKD million revenue. In FY2023/24, our Group's water consumption decreased to approximately 4,815.3 m³, and the relevant water consumption density decreased to approximately 9.8 m³ per HKD million revenue.

Our Group has formulated the following energy-conservation management measures to minimise water consumption:

- encouraging office employees to conserve water, thereby reducing water resource consumption and the electricity consumption for water supply.

¹⁸ Due to the inability to collect all water bills of our Group during the Track Record Period, when calculating the water consumption in each year, some monthly water consumption data is roughly calculated by the average daily water consumption displayed on the water bills for each metre reading month multiplied by the number of days in the respective months.

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Social matters

Set out below are our policies in addressing different social issues pertinent to our Group:

A. Employment

Our Group considers its employees as one of its most valuable assets, and we attach great importance to the retention, needs and development of our employees. We are committed to upholding the principles of equal opportunities, diversity and anti-discrimination in our workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to gender, age, cultural and educational background, nationality, ethnicity, industry experience, skills and knowledge. We conduct performance appraisals to analyse our employees’ personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to our employees based on their performance appraisals. As at 31 March 2022, 2023 and 2024, we had a total number of 227, 282, and 344 employees, and our gender ratio for male versus female remained stable at approximately 8:2 during the Track Record Period. For FY2021/22, FY2022/23 and FY2023/24, we recorded monthly average employee turnover rates of approximately 4.2%, 7.1% and 5.2% respectively.

B. Health and safety

Please refer to the paragraph headed “Occupational health and work safety” in this section.

C. Development and training

Employee development is indispensable for the continuous growth of our Group. Therefore, we provide employees with adequate and effective training to enhance their professional knowledge and technical skills.

We also offer safety and health orientation training to every new worker. The orientation training focuses on site safety standards, emergency guidelines and environmental requirements for pollutant treatment. We also provide specific safety training courses to workers from time to time to enhance their awareness of occupational safety. At the same time, our Group also encourages and sponsors employees to undertake training courses to obtain relevant professional qualification certificates.

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D. Labour standards

Our Group recognises that the employment relationship shall be based on mutual equality, respect, and tolerance. We maintain a zero-tolerance policy towards child labour, and strictly prohibit the employment of illegal immigrants and forced labour at our offices and construction sites. We strictly prevent illegal acts during the recruitment process, and our human resources department verifies the identification documents of job applicants to ensure they meet the legal working age and qualifications. If any discrepancies are found, our Group will immediately terminate the employment relationship with the relevant employees.

We also prohibit any form of verbal or physical abuse as punishment, management methods, disciplinary actions, physical punishment, or any actions that may constitute oppression or sexual harassment for any reason.

E. Supply chain management

Suppliers and subcontractors are an integral part of our Group's ordinary operations and play a crucial role in providing high-quality services to our customers. Therefore, we place great importance on the selection and monitoring of suppliers and subcontractors.

When sourcing new suppliers or subcontractors, our Group adopts a fair and impartial selection procedure. We have strict evaluation standards for the selection of suppliers. Suppliers are required to pass our review and evaluation on matters, including but not limited to delivery time, price and product quality, and to submit relevant certification documents for verification. Our Group will also continue to pay attention to and evaluate whether suppliers uphold environmental and social responsibilities. When selecting suppliers, we will give priority to those aligning with our environmental protection and social responsibility concepts.

To effectively manage suppliers and subcontractors, our Group has established the "Procurement to Payment Management System". When selecting suppliers and subcontractors, various departments, including but not limited to procurement, operations and construction departments, will assess them in terms of backgrounds, business scopes, reputation, services or product quality, and price, ensuring that their services, materials and products meet our requirements and standards. Suppliers who have passed the above review and inspection are included into our list of qualified suppliers. We will conduct regular evaluations and inspections of the suppliers in the list every year to evaluate whether they still meet our needs in terms of pricing, service and supply quality, efficiency, reliability, on-time completion or delivery and credit rating. The results of the evaluation by the procurement department will be submitted to the management for approval. We will no longer purchase any services or products from suppliers or subcontractors with unqualified results.

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In addition, our Group also encourages our suppliers and subcontractors to actively promote corporate social responsibility awareness and comply with corporate social responsibility standards. All business transactions of our Group shall be conducted with high ethical standards, and employees are prohibited from offering or accepting bribes or other improper benefits.

F. Services responsibility

To enhance sustainable business development, our Group consistently upholds high-quality standards across all construction projects. We have obtained ISO 9001:2015 certification. We carry out construction and operations in accordance with the accredited policies and procedures to ensure that the quality of each work process meets customer requirements. Each construction project has at least one site representative, who is responsible for real-time communication with our customers and subcontractors at the project site, coordinating requirements and resource allocation, facilitating effective team communication, and promptly addressing identified issues or risks relating to project quality, safety and environment. We will also conduct daily inspections of project sites to monitor the quality of work performed by workers and subcontractors.

G. Anti-corruption, anti-bribery and whistleblowing

To foster a corporate culture of integrity-based operations and ensure the sound development of our Group, we have formulated the “Anti-corruption and Anti-money Laundering Policy”, prohibiting our management and all employees from receiving, offering or soliciting any benefits from business associates (including suppliers and contractors) when conducting business. Key anti-corruption and anti-bribery measures include the following:

Acceptance of benefits

- Our Group’s Directors, supervisors, managers or all employees are prohibited from soliciting any benefits from any person (such as suppliers, contractors) who has business dealings with our Group when conducting business. If the responsible personnel and staff intend to accept any benefits provided by such persons, they should obtain special permission from the Board in advance.

Provision of benefits

- When performing duties, our Group’s Directors or employees must not directly or indirectly, or through a third party, provide bribes or benefits to any director, employee or agent of another company or organisation, or any public official.

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Hospitality

- Directors or staff should refuse to accept overly lavish or frequent hospitality provided by persons (such as suppliers or contractors) who have business dealings with our Group.

Conflicts of interest

- A conflict of interest refers to a situation where the personal interests of a Director or employee conflict with or are in opposition to the interests of our Group. Personal interests include the financial and personal interests of our Director or employee, as well as their family members and relatives, close friends, and the companies and organisations they belong to.
- All employees should avoid any situations that actually or are perceived to involve a conflict of interest. If such a situation arises in the course of business, they should report it in writing to their supervisor or the Board. Such individuals should proactively avoid handling the related matter, and should follow the instructions of their supervisor or the Board, who may assign the matter to other responsible personnel.
- For any proposals considered by our Group's Board, each Director should fully consider whether they or the legal entity they represent has an interest in the matter, and they should recuse themselves from decisions that may harm our Group's interests.

In addition, our Group is committed to raising awareness of business ethics and anti-corruption among our Directors and employees and regularly organises educational training and promotion of the above policies for Directors, supervisors, managers and all employees, and invites major business partners with whom our Group has business dealings to participate in the training, in order to ensure the effective implementation of our Group's policies.

Our Group introduces whistle-blowing mechanism by (i) encouraging employees or external third parties to actively monitor and report any serious misconduct that may violate honest business practices via email and hotline. Any responsible personnel or employees who violate any provision of the Anti-corruption and Anti-money Laundering Policy will be subject to disciplinary action, or be terminated from their appointment/employment if there is sufficient justification. If our Group suspects the violation involves corruption or other criminal offences, we will report to the Independent Commission Against Corruption (ICAC) or the relevant authorities of the same.

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group, Directors, employees and their associates did not violate the Anti-corruption and Anti-money Laundering Policy.

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H. Community involvement

Upholding the principle of giving back to the society, our Group actively demonstrates the service spirit of its core values, and encourages employees to participate in various educational, cultural, and social welfare activities.

Although we did not engage in any social welfare activities during the Track Record Period, our Group intends to invest more resources in various educational, cultural and social welfare activities in the future, and actively participates in community volunteer activities to show our concern and feedback to the local community.

Actual and potential impact of environmental, social and climate-related risks and opportunities on our Group’s business, strategy and financial performance

Climate change primarily refers to the long-term changes in temperature and weather conditions caused by the sustained greenhouse effect. Our Group will continue to assess potential climate-related risks to understand the risks that we may be exposed to, their potential impacts on our Group and appropriate countermeasures. These risks include physical risks (such as potential financial losses and non-financial damages due to extreme weather) and transitional risks (such as potential adverse effects from transitioning to a low-carbon economy).

A. Physical risks

Increased frequency and severity of extreme weather conditions such as cyclones and extreme precipitation

Our Group primarily operates in Hong Kong. Among all climate change phenomena affecting Hong Kong, heavy rains, floods, heatwaves, high temperatures and strong typhoons have adverse impacts on our operations. Frequent and severe heavy rains may flood construction sites in low-lying areas, which could adversely affect ongoing projects and extend the construction time. In addition, given that our construction sites are outdoors, heatwaves may increase the risk of heatstroke among site workers.

To mitigate the impacts and risks arising from climate change, our management is primarily responsible for identifying and assessing climate-related risks and impacts, taking necessary measures to address such risks under the supervision of the Board. These measures include developing emergency plans for extreme weather, using instant communication devices to timely communicate with site workers and coordinate working hours, and improving working conditions during hot weather, such as providing workers with rest areas, portable cooling fans and other facilities, to mitigate the impacts and risks of climate change on our employees and property.

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Rising mean temperature and increasing number of days of extreme heat

Our employees and/or our subcontractors’ employees are prone to rising temperature since most of our project sites are not equipped with air-conditioning systems. Hot weathers can easily lead to heat exhaustion, heat strokes or other health diseases. Such negative impacts on the health condition of our employees and/or our subcontractors’ employees may reduce our productivity and/or delay our work progress, resulting in interruption to our business operations.

To lower the risks of sickness suffered by our employees and/or our subcontractors’ employees, we will have to provide heat-relieving measures, such as providing electric fans, resting areas and sufficient hydration to the workers, to combat increasing temperatures and re-arrange work schedules to avoid working under hot weathers.

B. Transitional risks

Risk of rising operating costs

In order to achieve carbon neutrality by 2050, the Government announced the “Hong Kong Climate Action Blueprint 2050” in 2021. This plan outlines four major carbon reduction strategies, including (i) increasing the share of renewable energy in the fuel mix for electricity generation, and ceasing the use of coal for daily electricity generation by 2035; (ii) reducing the overall electricity consumption of buildings through promoting green buildings, improving buildings’ energy efficiency and promoting a low-carbon lifestyle; (iii) promoting the electrification of vehicles and ferries, development of new-energy transport and measures to improve traffic management, and ceasing the new registration of fuel-propelled and hybrid private cars in 2035 or earlier; and (iv) further promoting waste reduction and recycling, and developing adequate waste-to-energy facilities by 2035.

In order to transition to a low-carbon economy and respond to the carbon reduction strategies of the Government, our Group began purchasing a number of electric private vehicles to replace petrol-powered ones, and commenced the transition to replace traditional equipment with new energy equipment and to replace non-renewable resources with clean energy since 2023, thus reducing our dependence on fossil fuels. We also intend to purchase more electric private vehicles and new energy equipment in the future to replace traditional vehicles and equipment, thereby reducing carbon emissions from fossil fuel combustion. However, these measures may increase our operational costs, which may affect our financial performance.

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C. Opportunities

Although transitioning to a low-carbon economy may present the above-mentioned potential risks, it also offers the following potential opportunities:

Reducing reliance on fossil fuels

Our Group intends to invest more resources in environmentally-friendly equipment and clean energy, including replacing traditional vehicles with electric ones, and replacing traditional diesel equipment with new trucks and heavy machinery powered by clean energy. This helps reduce our Group’s reliance on fossil fuels for its vehicles and operations, thereby decreasing carbon emissions from fossil fuel combustion and providing a more environmentally-friendly work environment for our employees.

Indicators and targets

Our Board will set targets for each KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon [REDACTED]. The relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, our Group has taken into account their respective historical levels during the Track Record Period, and has considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. Set forth below are the key metrics and targets for the material KPIs we have currently identified:

- Our Group will make continuous efforts in working towards the target of reducing the level of GHG emissions in terms of tonnes of carbon dioxide equivalent (tCO₂e). Using the average of FY2022/23 and FY2023/24 as a baseline, our Group strives to maintain our GHG emissions intensity below 9.4 tCO₂e per HKD million revenue.
- The non-hazardous waste generated by our Group during its ordinary operations mainly consists of construction waste and paper used in its ordinary business activities. Using the average of FY2022/23 and FY2023/24 as a baseline, our Group strives to maintain non-hazardous waste generated from buildings below 46.9 tonnes per HKD million revenue.

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- Our Group will make continuous efforts in working towards the target of reducing the megawatt-hour (MWh) of energy consumed annually. Using the average of FY2022/23 and FY2023/24 as a baseline, our Group strives to decrease our energy consumption intensity to below 37.8 MWh per HKD million revenue.

Our Group has adopted the policies and measures as explained in the paragraph headed “Environmental, social and governance matters — Environmental matters” in this section with the aim of reducing our GHG emissions, wastes and energy consumption to minimise any adverse impact on the environment resulting from our business activities. Our Directors consider that the implementation of such policies and measures in achieving our ESG targets will not have any material adverse impact on our Group’s operations. Further, by achieving the ESG targets, our Group will be able to reduce the consumption of resources, which will in turn lower our operating costs, thereby enhancing our profitability in the long term.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19 was first reported in December 2019 and has expanded in Hong Kong and globally. From January 2022 and up to April 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19, as the daily number of confirmed cases increased significantly during that period. In early 2023, the Government gradually relaxed the stringent anti-epidemic measures.

During the Track Record Period, we did not encounter prolonged closure of our work sites and there was no substantial delay in our projects in progress. For instance, for the Third Runway Projects, our Group only experienced temporary closure of sites due to the infected cases as informed by our customers. Such temporary closure of work sites lasted for less than 10 days during the Track Record Period. Based on the information available as at the Latest Practicable Date, our Directors confirm that the COVID-19 did not and will not have material adverse impact on our business operations and financial performance.

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RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk Factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed “Our customers — Customer concentration” above in this section.

(ii) Risk relating to subcontractors’ performance

Please refer to the paragraphs headed “Our suppliers — Basis of selecting our subcontractors” and “Quality control — Works performed by subcontractors” above in this section.

(iii) Credit risk management

We are subject to risks in relation to the collectability of our trade and other receivables, details of which are summarised in the paragraph headed “Risk Factors — We are subject to credit risk in relation to the collectability of our trade receivables and contract assets” in this document.

To manage the credit risk arising from trade receivables, contract assets, deposits and other receivables and amounts due from Directors and related parties, our Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. Our Group trades only with recognised and creditworthy third parties. Our Group takes into account information specific to the customer, such as its financial position, past experience and other factors to evaluate the creditability of customers. In addition, receivable balances are monitored on an ongoing basis with the result that our exposure to expected credit loss is not significant.

(iv) Liquidity risk management

There are often time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch. In order to manage our liquidity position in view of the aforementioned working capital requirement and the possible cash flow mismatch associated with undertaking contractual works, we have adopted the following measures:

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- our financial department is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements; and
- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, among other things (i) ensuring healthy bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and ageing analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly reviews of our trade payables and ageing analysis to ensure that payments to our suppliers are made on a timely basis.

(v) Regulatory risk management

We keep ourselves abreast of any changes in government policies, regulations, and licensing requirements in relation to our business operations, as well as relevant environmental, safety requirements. We will ensure that any changes of the above are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

(vi) Occupational health and work safety

Please refer to the paragraph headed “Occupational health and work safety” in this section.

(vii) Quality control system

Please refer to the paragraph headed “Quality control” in this section.

(viii) Environmental management system

Please refer to the paragraph headed “Environmental compliance” above in this section.

(ix) 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.