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## RISK FACTORS

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

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

### RISKS RELATING TO OUR BUSINESS

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

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. For FY2021/22, FY2022/23, FY2023/24, our top five customers for each year contributed revenue of approximately HK\$440.7 million, HK\$220.5 million and HK\$380.7 million to our Group, respectively, which accounted for approximately 84.6%, 61.0% and 72.3% of our total revenue for the corresponding financial year, respectively.

During the Track Record Period, the majority of our total revenue was derived from project-based works. There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacement from other customers, our financial conditions and operating results would be materially and adversely affected.

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

During the Track Record Period, we were mainly engaged in public sector projects in Hong Kong. Our public sector projects mainly involved site formation works and road and drainage works projects. For FY2021/22, FY2022/23, FY2023/24, we derived approximately 65.6%, 58.4%

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and 73.2% of our service revenue from public sector projects, respectively. The nature, extent and timing of available public sector is generally determined by an interplay of a variety of factors, including the Hong Kong government’s policies on the infrastructure and public facilities development, its land supply and public housing policy and the general conditions and prospects of the Hong Kong’s economy. In the event the Hong Kong government reduces its expenditure on or changes its policy in relation to infrastructure and public facility and public residential developments, the number of available public sector projects may decrease and our business, financial conditions and results of operations may be materially and adversely affected.

In the face of the challenges of fiscal deficits and a declining reserve, the government’s ability to allocate funds for infrastructure development may be limited. According to the Hong Kong Budget 2024 to 2025, the financial secretary of Hong Kong had forecasted a budget deficit of HK\$101.6 billion for the 2023-24 fiscal year, almost double its original estimate of HK\$54.4 billion. The financial secretary of Hong Kong expected that the budget deficit for the fiscal year ending 31 March 2025 will further increase from the previous estimation of approximately HK\$48.1 billion. According to Article 107 of the Basic Law, the Hong Kong government should follow the principle of keeping the expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product. As governments may need to prioritise spending in areas like education and healthcare and to reduce overall expenditure, infrastructure projects may face budget cuts or delays. This can impact the construction, maintenance, and expansion of infrastructure such as roads, bridges, ports, and public transportation systems.

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

**Our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses**

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from

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period to period, and it may be difficult to forecast the volume of future business. For FY2021/22, FY2022/23 and FY2023/24, we recorded a tender success rate of approximately 33.9%, 28.4% and 29.0%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our pricing and tender strategy, competitors' tender and pricing strategy, the availability of our resources and subcontractors, level of competition and our customers' evaluation standards. Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

**We entered into some fixed-term agreements with some customers and there is no assurance that we will be able to renew the agreements upon expiry at commercially acceptable terms or at all**

Some of our customers entered into fixed-term agreements with us, including Master Agreement A, Master Agreement B and Master Agreement C. Pursuant to these agreements, we provide services to our customers based on the agreed unit price in the schedule of rates (subject to adjustment mechanism) as set out in the agreements and the actual amount work carried out by our Group. For more details of Master Agreement A and Master Agreement B, please refer to the paragraph headed "Business — Our customers — Master Agreement A and Master Agreement B for electrical engineering works" in this document. For FY2021/22, FY2022/23 and FY2023/24, our service revenue attributable to the Master Agreement A, Master Agreement B and Master Agreement C are approximately HK\$124.7 million, HK\$123.6 million and HK\$113.1 million, respectively, which accounts for 24.0%, 34.2% and 21.5% of our total revenue for the corresponding financial years. There is no assurance that we can renew these fixed-term agreements upon expiry of the original term at commercially acceptable terms, or at all. If we are not able to renew the agreements upon expiry, our financial performance and profitability will be adversely affected.

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

Our customers generally make progress payments according to our work progress. 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 subcontracting fees for work done by subcontractors, payment made to suppliers for materials and machinery rental costs.

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In addition, our customers may withhold our progress payments as retention monies which may only be released after the expiry of the defects liability period. As at 31 March 2022, 31 March 2023 and 31 March 2024, our gross retention receivables of approximately HK\$7.4 million, HK\$6.4 million and HK\$16.5 million, respectively, were retained by our customers as retention monies.

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

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

A contract asset represents our Group's right to consideration from customers in exchange for our work performed that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has performed our works under the relevant contracts but the works have yet to be certified the quantity surveyors or other representatives appointed by the customers and/or our Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when our Group's right to payment becomes unconditional other than passage of time. Our Group recorded gross contract assets of approximately HK\$127.1 million, HK\$141.4 million and HK\$195.3 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively.

There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to the payment terms of the contracts and there is no assurance that the retention monies will be released by our customers to us on a timely basis and in full accordingly.

Further, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 March 2022, 31 March 2023 and 31 March 2024, we recorded trade receivables (net of provision for impairment) of approximately HK\$60.9 million, HK\$36.9 million and HK\$48.2 million, respectively. In the event that we are unable to collect a substantial portion of our trade receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

Any difficulty in collecting a substantial portion of our trade receivables and contract assets could materially and adversely affect our cash flows and financial positions.

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### **Unsatisfactory performance by or unavailability of our subcontractors may adversely affect our operation and profitability**

We have engaged subcontractors to perform some of the site works under our supervision. For further details, please refer to the paragraph headed “Business – Our suppliers – Reasons for subcontracting arrangement” in this document. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on their quality of services, skills and technique, reputation, prevailing market price, delivery time and availability of resources in accommodating our requests.

For FY2021/22, FY2022/23 and FY2023/24, our subcontracting fees amounted to approximately HK\$131.9 million, HK\$97.9 million and HK\$143.4 million, respectively, representing approximately 30.9%, 34.3% and 35.5% of our cost of services, respectively. There is no assurance that the work quality of our subcontractors can always meet the requirements of our Group and our customers. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could materially and adversely affect our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

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

We prepare our tender price based on a certain percentage of mark-up over our estimated 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) credit history and financial track record of the customer; (iii) years of business relationship with the customer; (iv) the prospect of obtaining future contracts from the customer; (v) any possible positive effect of our Group’s reputation in the civil and electrical 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. For further details on our pricing strategy, please refer to the paragraph headed “Business – Pricing strategy” in this document.

There is no assurance that the actual amount of time and costs incurred during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of materials agreed to be borne by us, unexpected increase in the amount of rectification works requested by our customers and other unforeseen problems

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and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity. In particular, even though our contracts with the Government and CLP Group contain contract price adjustment mechanism, which allows for increase in our fee to address the rise in cost of materials and wages for our and our subcontractors' workers, we are typically required to bear some portion of the increase before we can make a claim under such adjustment mechanism. In any event, the adjustment mechanism may not fully cover the increases in our costs.

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

Our customers may request additional, reduction or alteration of works beyond the scope of the contract during project implementation by placing variation orders with us. The aggregate amount of revenue that we are able to derive from a project may be different from the original estimated contract sum specified in the relevant contract due to variation orders placed by our customers. For further details of our variation orders, please refer to the paragraph headed "Business – Our customers – Principal terms of engagement" in this document. As such, there is no assurance that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects will not be substantially different from the original estimated contract sum as specified in the relevant contracts. Our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders. Therefore, there is no assurance that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

**Failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension or non-renewal of our registrations as electrical contractor with the EMSD, under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council or on the List of Approved Contractors for Public Works maintained by the Development Bureau**

Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. There is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property

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damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to negative publicity and/or suspension or non-renewal of our registrations as electrical contractor with the EMSD, under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council or on the List of Approved Contractors for Public Works maintained by the Development Bureau, which in turn adversely affect our reputation, financial position and results of operation.

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

During the Track Record Period and up to the Latest Practicable Date, we recorded 5 accidents involving our employees which arose in the ordinary course of our business. For further details, please refer to the paragraph headed “Business – Occupational health and work safety” in this document. Such accident record may adversely affect our industry reputation, which may in turn affect our prospect of receiving tender invitations from potential new customers or being awarded with future tenders from both our existing and potential new customers. Furthermore, we may have to incur additional costs to strengthen our safety management measures, such as recruiting additional safety supervision staff, which may have an adverse impact on our profitability.

**There is no assurance that we will be able to renew our registrations as registered electrical contractors with the EMSD and under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council**

Wing Lee Construction and Wing Lee Development, being two of our principal operating subsidiaries, are currently registered electrical contractors with the EMSD, whose registration will next expire in March 2026 and May 2027, respectively. Pursuant to section 34(1) of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), all electrical works shall be conducted by registered electrical contractors. Renewal of registration as a registered electrical contractor is required every three years. Besides, Wing Lee Construction and Tai Shan Engineering, being two of our principal operating subsidiaries, are currently registered specialist trade contractors and registered subcontractors under the Registered Specialist Trade Contractors Scheme (formerly

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known as the Subcontractor Registration Scheme) maintained by the Construction Industry Council, whose registrations will next expire between October 2024 to March 2026. 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. Renewal of registration under the Registered Specialist Trade Contractors Scheme is required every three or five years and is generally subject to certain technical and relevant industry experience requirements. For details of our registration with the EMSD and the Construction Industry Council, please refer to the paragraph headed "Business – Licences and registrations" in this document. There is no assurance that we will be able to renew such registrations every time in the future. In the event of non-renewal of such registrations, our reputation, our ability to obtain future businesses, and our business and financial position and prospects could be materially and adversely affected.

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

Kaiser Construction Engineering, one of our principal operating subsidiaries, is registered on the List of Approved Contractors for Public Works under the category of roads and drainage (Group A) with probationary status. In order to tender for Government contracts, a contractor must be registered on the List of Approved Contractors for Public Works.

The retention on the List of Approved Contractors for Public Works is subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook revised and published by the Development Bureau in January 2024. For further details, please refer to the paragraph headed "Regulatory overview – Laws and regulations in relation to contractor licensing regime and operation – Contractor licensing requirements for public sector projects" in this document. The Secretary for Development of the Government reserves the right to remove any contractor from the List of Approved Contractors for Public Works or take other regulatory actions against a contractor such as suspension, or where applicable, downgrading from confirmed status to probationary status, or demotion to a lower group in respect of all or any category of works if doubts arise as to the ability of a contractor to meet such criteria.

In the event that Kaiser Construction Engineering fails to remain on the List of Approved Specialist Contractors for Public Works under the category of roads and drainage works or if any of the aforesaid regulatory actions is taken against it such as suspension, we will not be able to obtain new public sector projects under the category of roads and drainage works as main contractor, thereby materially and adversely affect our prospect, business and financial condition.



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

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

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

**Our company names may be identical or similar to other companies in the construction industry in Hong Kong. We may be involved in intellectual property disputes and claims of infringement, which may divert our management’s attention and harm our reputation and profitability**

The company names of our Company and four of our subsidiaries contain “榮利” and “Wing Lee”. In particular, Wing Lee Construction, one of our operating subsidiaries, has been using “榮利” and “Wing Lee” in its name since 2014. As at the Latest Practicable Date, we have applied to register six trademarks containing the words “榮利” or “Wing Lee” in Hong Kong. For more information on our intellectual property rights, please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this document. With more than 18 years of operating history, we believe that the reputation and brand name that we have built up play a significant role in enabling us to attract customers and secure projects. Meanwhile, there are a number of companies in Hong Kong operating under the trade name(s) “榮利” and/or “Wing Lee” engaging in construction-related works.

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As the general public may not be able to differentiate us and other companies whose names contain “榮利” and/or “Wing Lee”, if these companies are subject to any complaint, litigation, regulatory action or other negative publicity, our reputation, market recognition, business, growth prospect, results of operation and financial condition could be adversely affected.

We may also be subject to litigation regarding infringement of intellectual property rights and/or passing off commenced by companies whose names contain “榮利” and/or “Wing Lee”, whether with merits or not. If we are found to have violated the intellectual property rights of others, we may be subject to liability for infringement or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Any legal proceeding, litigation or claim, brought by us or against us, can incur additional costs, divert our management’s attention and resources and hence may undermine our profitability. In case of unfavourable determination of any legal proceeding, litigation or claim, our business, financial condition and results of operations could be adversely affected. If any third party commence litigation against us claiming for infringement of their intellectual property rights and/or passing off, even if groundless, our reputation could be adversely affected.

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

For FY2021/22, FY2022/23 and FY2023/24, our gross profit amounted to approximately HK\$93.6 million, HK\$75.5 million and HK\$121.6 million, respectively; while our gross profit margin was approximately 18.0%, 20.9% and 23.1%, respectively. However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

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

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In addition, our profit margin may also fluctuate from period to period due to factors such as, among others, the work progress and stage of the projects, the proportion of works performed by our subcontractors and our direct labour, the deployment of leased or our own machinery and the cost of the materials required for the projects. There is no assurance that our profit margin will remain stable in the future and that we can maintain our current level of performance.

### **Our Group is dependent on key management personnel and our business and operations could materially affected if our Group cannot retain them**

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Yiu, Mr. Yiu Wang Lung and Mr. Chan, each being our executive Director. Our executive Directors are supported by our senior management team, who possess practical skills and experience as required in handling our projects. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this document. Our key personnel as well as their management experience in the civil and electrical engineering industries in Hong Kong are crucial to our operation and financial performance. Although we have entered into a service agreement or an employment contract with each of our executive Directors and senior management members, there could be an adverse impact on our operation should any of them cease to serve our Group and appropriate persons could not be found to replace them on a timely basis, or at all. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business and financial position and prospects of our Group could be materially and adversely affected.

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

During the Track Record Period, we mainly focused on the roles of project management and/or carrying out our projects in our capacities as main contractor or subcontractor. Therefore, our services capacity in undertaking several and sizeable civil and electrical engineering works and new energy works projects is largely limited by the availability of our in-house project management staff and our subcontractors. According to the Industry Report, shortage of labour is a prolonged issue in the civil and electrical engineering industries in Hong Kong. In view of the aforesaid, we may encounter difficulties in maintaining and recruiting sufficient number of project management staff or engaging suitable subcontractors for undertaking additional projects in the future.

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

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

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

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

### **We are exposed to claims arising from latent defects liability**

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

Our contracts generally include a defects liability period of 12 months, following completion of the relevant works. During the defects liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our negligence or failure to comply with our contractual obligation. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

### **Our insurance coverage may not be adequate to cover potential liabilities**

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

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

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

**Failure to invest in suitable machinery may adversely affect our market competitiveness and any failure, damage or loss of our machinery may adversely affect our operations and financial performance**

Our capacity to carry out works for our customers depends on, among other things, the availability of machinery that we own or lease from other third parties. Please refer to the paragraph headed “Business – Machinery” in this document for the details relating to our machinery. If we fail to stay abreast of market trends and invest in suitable machinery to cope with changing customer demands and specifications, our overall competitiveness and financial position and operation results may be adversely affected. For details about our plans on acquiring machinery, please refer to the section headed “Future Plans and [REDACTED]” in this document.

There is also no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

**We rely on our suppliers for construction materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price**

We rely on our suppliers for stable and timely delivery of construction materials which should meet our customers’ specifications. For FY2021/22, FY2022/23 and FY2023/24, we incurred approximately HK\$57.2 million, HK\$43.9 million and HK\$66.3 million on materials

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costs, respectively, representing approximately 13.4%, 15.4% and 16.4% of our cost of services, respectively. If there is any shortage of such materials, or material delay in delivery by our suppliers, or the delivered materials fail to comply with our customers' specifications, we may fail to complete our projects on time or at all. There is no guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our reputation, business operations and financial results may be adversely affected. If there is any deterioration in the quality of construction materials from our suppliers, and we are unable to detect the defective materials or identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our reputation and adversely affecting our financial results.

### **Our performance depends on market conditions and trends in the civil and electrical engineering industries and in the overall economy**

All our businesses and operations have been and will continue to be located in Hong Kong. The future growth and level of profitability of the civil and electrical engineering industries in Hong Kong depend primarily upon the continued availability of large scale projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Government's spending patterns on the civil and electrical engineering industries in Hong Kong and its public facilities policies, speed of approval of the relevant budgets and/or projects, the investment of property developers and the general conditions and prospects of the Hong Kong economy. They may affect the availability of projects from the public sector, private sector or institutional bodies. Apart from the public spending of the Government, other factors also affect the civil and electrical engineering industries. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for civil and electrical engineering works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

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

Although we have not experienced major delay in our projects due to COVID-19 outbreak during the Track Record Period and up to the Latest Practicable Date, there is no assurance that there will be no resurgence of COVID-19 in the future, which may result in material disruption or delay in construction works, which in turn could have an adverse impact on our ability to deliver works on time and hence jeopardise our reputation, business, financial conditions and our relation with our customers.

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## RISK FACTORS

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

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

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

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

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

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## RISK FACTORS

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

For FY2021/22, FY2022/23 and FY2023/24, our Group received government grants from the Government of approximately HK\$0.1 million, HK\$4.8 million and HK\$1.6 million, respectively. Of which, approximately HK\$0.1 million, HK\$4.2 million and HK\$0.3 million was the Government’s Subsidies under the Employment Support Scheme for FY2021/22, FY2022/23 and FY2023/24, respectively. For further details on the government grants received by our Group, please refer to the paragraph headed “Financial information – Principal components of the combined statements of profit or loss – Other income” in this document.

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

**Our profitability may be affected by the potential increase in depreciation expenses upon our planned acquisition of additional machinery**

It is one of our business strategies to acquire additional machinery by utilising a portion of the [REDACTED] from the [REDACTED] so as to cope with our business development, increase our overall efficiency, capacity and technical capability in performing civil and electrical engineering works as well as our ability to cater for different needs and requirements of different customers. Please refer to the section headed “Future plans and [REDACTED]” in this document for further details.

As a result of the acquisition of additional machinery, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, it is estimated that additional depreciation expenses on plant and machinery of approximately HK\$[5.9] million will be incurred per annum after we have acquired all the machinery that we intend to purchase under our business expansion plan, with the [REDACTED] from the [REDACTED].



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## RISK FACTORS

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

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

We intend to deploy our business strategies to further strengthen our market position, increase our market share and capture the growth in the construction industry in Hong Kong. For details, please refer to the paragraph headed “Business — Business strategies” in this document for further details. However, our business plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

### **If we fail to comply with the applicable anti-corruption and anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that may have a material adverse effect on our business, financial condition and results of operations**

We are subject to the anti-corruption and anti-bribery laws of Hong Kong, which include but are not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Our procedures and controls to monitor anti-corruption and anti-bribery compliance may not shield us from reckless or criminal acts committed by our employees. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-corruption and anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

## **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

### **We operate in a competitive industry**

Some of our competitors may have certain advantages, including but not limited to having long operating history, better financing capabilities and well developed technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals

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## RISK FACTORS

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by the relevant regulatory bodies. Any significant increase in competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

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

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

### RISKS RELATING TO THE [REDACTED]

**[REDACTED] will experience immediate dilution**

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

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

Prior to the [REDACTED], there is no public market for the Shares. The [REDACTED] of, and the [REDACTED], the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry in Hong Kong could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares

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## RISK FACTORS

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could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, [REDACTED] may not be able to sell their Shares at or above the [REDACTED] or at all.

### **Granting options under the Share Option Scheme and Shares under the Share Award Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership**

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

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

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

### **The [REDACTED] is entitled to terminate the [REDACTED]**

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

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## RISK FACTORS

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

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

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

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

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

For FY2021/22, FY2022/23 and FY2023/24, our Group declared and paid out dividends of approximately nil, nil and approximately HK\$40.5 million, respectively, to our then shareholders. We will declare and settle final dividends of approximately HK\$30.0 million in respect of FY2023/24 to our then shareholders before [REDACTED].

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

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the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

### RISKS RELATING TO THIS DOCUMENT

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

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

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

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

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## RISK FACTORS

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

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

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