THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Tong Kee (Holding) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

TONG KEE (HOLDING) LIMITED
棠記（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

(1) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Placing Agent

Capitalised terms used in the lower portion of this cover page have the same respective meanings as those defined in the section headed “Definitions” of this circular.

A notice convening the EGM to be held at Unit I, 11/F, Block 2, Kin Ho Industrial Building, 14-24 Au Pui Wan Street, Fotan, New Territories, Hong Kong at 4:00 p.m. on Thursday, 16 December 2021 or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the EGM (i.e. at or before 4:00 p.m. on Tuesday, 14 December 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.tongkee.com.hk.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM:

- compulsory body temperature checks
- compulsory wearing of a surgical face mask for each attendee
- submission of personal information form, which may be used for contact tracing, if required
- no distribution of corporate gift nor provision of refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. All attendees are required to wear surgical face masks at all times at the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

26 November 2021

CONTENTS

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the sale and purchase of the Sale Share pursuant to the terms and conditions of the Sale and Purchase Agreement
"Acquisition Condition(s)"	the conditions precedent set out in the Sale and Purchase Agreement
"Acquisition Completion"	completion of the sale and purchase of the Sale Share pursuant to the terms and conditions of the Sale and Purchase Agreement
"Acquisition Completion Date"	the date falling on the fifth Business Day after the fulfillment (or waiver) of all the Acquisition Conditions or such other date as the Vendor and the Company may agree in writing
"Announcement"	the announcement of the Company dated 19 October 2021 in relation to, among other things, the Acquisition and the Placing
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Bank"	The Hongkong and Shanghai Banking Corporation Limited
"Board"	the board of Directors
"Business Day(s)"	any day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Tong Kee (Holding) Limited (棠記(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8305)
"connected person(s)"	has the same meaning as ascribed thereto under the GEM Listing Rules

"Consideration"	the aggregate consideration for the Acquisition, being HK$24.0 million
"Consideration Shares"	an aggregate of 185,000,000 new Shares to be allotted and issued by the Company to the Vendor under the Shares Specific Mandate at the Issue Price credited as fully paid to satisfy part of the Consideration upon the Acquisition Completion pursuant to the terms and conditions of the Sale and Purchase Agreement
"Corporate Guarantee"	the corporate guarantee to be executed by the Company in favour of the Bank (in the form and substance to the satisfaction of the Bank) as security for the payment obligations of Projexasia under the banking facilities made available by the Bank to Projexasia
"Director(s)"	director(s) of the Company from time to time
"EGM"	the extraordinary general meeting of the Company to be convened and held at Unit I, 11/F, Block 2, Kin Ho Industrial Building, 14-24 Au Pui Wan Street, Fotan, New Territories, Hong Kong on Thursday, 16 December 2021 at 4:00 p.m. or any adjournment thereof for the purpose of considering, and if thought fit, approving, among other matters, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Shares Specific Mandate); and (ii) the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares under the Placing Specific Mandate)
"Employment Contract"	an employment contract to be entered into between Mr. Grant and Projexaisa upon the Acquisition Completion in relation to Mr. Grant's appointment as the managing director and a director of Projexasia
"Enlarged Group"	the Group as enlarged by the Target Group upon the Acquisition Completion
"Fast Creative"	Fast Creative Group Limited, a company incorporated in the British Virgin Islands and the beneficial owner of 30% equity interests of Scenario Design
"GEM Listing Committee"	has the meaning ascribed thereto under the GEM Listing Rules
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and its ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
"Issue Price"	HK$0.10 per Consideration Share
"Joint Venture"	Scenario-Projexasia Joint Venture, an unincorporate which is owned as to 50% by Projexasia and 50% by Scenario Cockram, respectively
"Joint Venture Agreement"	the joint venture agreement dated 19 December 2017 and entered into between Scenario Cockram and Projexasia
"Latest Practicable Date"	24 November 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Mr. Grant"	Mr. Stephen John Grant
"Personal Guarantees"	the guarantees given by Mr. Grant in favour of the Bank to secure the indebtedness, liabilities and/or obligations of Projexasia under the bank credit facility(ies) granted by the Bank to Projexasia
"Placee(s)"	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent under the Placing
"Placing"	the offer by way of private placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s) on the terms and subject to the conditions set out in the Placing Agreement
"Placing Agent"	China Rise Securities Asset Management Company Limited, being a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
"Placing Agreement"	the conditional placing agreement dated 19 October 2021 entered into between the Company and the Placing Agent in relation to the Placing under the Placing Specific Mandate

"Placing Condition(s)"	the conditions precedent set out in the Placing Agreement
"Placing Completion"	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
"Placing Completion Date"	the third Business Day after the fulfillment of the Placing Conditions (or such other date and place as the Company and the Placing Agent may agree in writing)
"Placing Price"	HK$0.10 per Placing Share
"Placing Share(s)"	a total of up to 65,000,000 new Shares to be placed pursuant to the terms and conditions of the Placing Agreement
"Placing Specific Mandate"	a specific mandate to be sought from the Shareholders for the allotment and issue of the Placing Shares upon the Placing Completion
"PRC"	People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Projexasia"	Projexasia Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Target Company
"Remaining Consideration"	has the meaning ascribed thereto in the paragraph headed "Consideration" under the section headed "The Sale and Purchase Agreement" in this circular
"RMAA"	has the meaning ascribed thereto in the section headed "Information on the Target Group" in this circular
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 19 October 2021 entered into between the Company and the Vendor in relation to the Acquisition
"Sale Share"	one (1) ordinary share of the Target Company, representing the entire issued share capital of the Target Company, which was legally and beneficially owned by the Vendor as at the Latest Practicable Date
"Scenario Cockram"	Scenario Cockram Limited, a company incorporated in Hong Kong with limited liability and is interested in 50% of the Joint Venture
"Scenario Design"	Scenario Design Build Limited, a company incorporated in Hong Kong with limited liability and the beneficial owner of 13.3% equity interests of Scenario Cockram

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Shares
"Shares Specific Mandate"	a specific mandate to be sought from the Shareholders for the allotment and issue of the Consideration Shares
"SR Design Consulting"	SR Design Consulting Limited, a company incorporated in Hong Kong with limited liability and the beneficial owner of 30% equity interests of Scenario Design
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Treasure Mark Global Limited, a company incorporated in the British Virgin Islands with limited liability and was wholly-owned by the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company, its subsidiary, being Projexasia, and the Joint Venture
"Trendcity"	Trendcity International Limited, a company incorporated in Samoa with limited liability and the beneficial owner of 40% equity interests of Scenario Design
"Vendor"	Precise Capital Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Grant
"%"	per cent.

TONG KEE (HOLDING) LIMITED
棠記(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

Executive Directors:
Mr. Heung Chung Sum *(Chairman)*
Mr. Chan Wai Hon, Alan

Non-executive Directors:
Ms. Heung Joe Yee
Ms. Heung Joe Tung

Independent non-executive Directors:
Dr. Ip Wai Hung
Mr. Ko, Wilson Wai Shun
Mr. Chan Chi Hang

Registered office:
P.O. Box 1350
Windward 3
Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2502, 25/F
148 Electric Road
North Point
Hong Kong

26 November 2021

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Acquisition and the Placing.

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) further information relating to the Placing Agreement and the transactions contemplated thereunder; (iii) the financial information of the Group and the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report on the Target Company; and (vi) the notice of the EGM.

THE ACQUISITION

On 19 October 2021, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, representing the entire equity interest in the Target Company, at a total Consideration of HK$24.0 million.

THE SALE AND PURCHASE AGREEMENT

Date: 19 October 2021

Parties:

(1) the Company; and

(2) the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

Asset to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Share, representing the entire equity interest in the Target Company.

Consideration

The Consideration is HK$24.0 million, which shall be satisfied by the Company in the following manner:

(a) as to HK$18.5 million by allotting and issuing to the Vendor an aggregate of 185,000,000 Consideration Shares, credited as fully paid, at the Issue Price of HK$0.10 per Consideration Share upon the Acquisition Completion; and

(b) the remaining balance of HK$5.5 million (the "**Remaining Consideration**") by way of cash immediately upon the Acquisition Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms, after considering, among other things, (i) the preliminary valuation of the Target Company of approximately HK$25,377,000 as at 30 September 2021 based on the market approach compiled by an independent professional valuer; (ii) the unaudited consolidated assets and liabilities of Projexasia as at 31 July 2021 of approximately HK$38.9 million and HK$36.2 million respectively; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Acquisition" in this circular. The cash portion of the Consideration will be entirely funded by the net proceeds from the Placing.

The final valuation of the Target Company as at 30 September 2021 based on the market approach compiled by the independent professional valuer is approximately HK$26,145,000, which is approximately 3.03% higher than the preliminary valuation of HK$25,377,000. After arm's length negotiations between the Company and the Vendor, it was mutually agreed the Consideration to remain unchanged. As the Consideration now represents an increased discount to the market value of the Target Company, the Directors are of the opinion that not adjusting the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. For further details of the valuation of the Target Company, please refer to the valuation report as set out in Appendix V to this circular.

Conditions precedent to the Acquisition

The Acquisition Completion shall be conditional upon and subject to:

(a) the Company being satisfied with the results of the due diligence review on the Target Group to be conducted under the Sale and Purchase Agreement;

(b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Target Company, Projexasia and the Joint Venture (if applicable) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents and approvals required to be obtained on the part of the Company in respect of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Placing Agreement and the transactions contemplated thereunder, having been obtained and remain in full force and effect;

(d) the passing by the Shareholders at the EGM to be convened and held in accordance with the requirements of the GEM Listing Rules, of such resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the grant of the Shares Specific Mandate and the allotment and issue of the Consideration Shares;

(e) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;

(f) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares;

(g) the Placing having been completed with net proceeds of not less than HK$5.5 million;

(h) a written indication from the Bank, which grants an approval in-principle for the full discharge and release of Mr. Grant's liabilities and obligations under the Personal Guarantees subject to the execution of the Corporate Guarantee upon the Acquisition Completion, and states that such approval in-principle is approved by such relevant department or division of the Bank which has the authority to make the final approval on the release of the Personal Guarantees, or in such other form mutually acceptable to both the Company and the Vendor, together with the form/template of the Corporate Guarantee that is required to be signed by the Company, having been obtained; and

(i) the warranties made by the Vendor to the Company under the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects.

The Company may at its absolute discretion at any time waive in writing any of the Acquisition Conditions (a) and (i) and such waiver may be made subject to such terms and conditions as are determined by the Company. The Vendor may at its absolute discretion at any time waive in writing Acquisition Condition (h) and such waiver may be made subject to such terms and conditions as are determined by the Vendor. Such rights to waive certain Acquisition Conditions enable the Company and the Vendor to enjoy more flexibility to complete the Acquisition. The Company will exercise such discretion with due care and consideration and may only waive Acquisition Conditions (a) and/or (i) provided that the Board is satisfied that such waiver(s) would not have any material adverse effect on the Enlarged Group taken as a whole and is/are in the interests of the Company and the Shareholders as a whole. In any event, the Company would not waive such Acquisition Conditions to the extent that the substance of the Acquisition would be affected. As confirmed by the Vendor, the Vendor may waive Acquisition Condition (h) if the Vendor is satisfied that the impact of such waiver is immaterial. Pursuant to the terms and conditions of the Sale and Purchase Agreement, subject to the Acquisition Completion, the Company shall execute the Corporate Guarantee in favour of the Bank as security for the payment obligations of Projexasia under the banking facilities made available by the Bank to Projexasia. As such, the Directors do not consider that the waiver of Acquisition Condition (h) would affect the substance of the Acquisition.

All other Acquisition Conditions are incapable of being waived by any parties. If the Acquisition Conditions set out above have not been satisfied (or as the case may be, waived by the Company and/or the Vendor) on or before 4:00 p.m. on 31 March 2022 (or such later date as the Vendor and the Company may agree in writing), the Sale and Purchase Agreement shall cease and be terminated, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the Acquisition Conditions have been satisfied or waived.

Consideration Shares

Subject to the fulfillment or waiver (as the case may be) of the Acquisition Conditions as set out in the paragraph headed "Conditions precedent to the Acquisition" above, the Company shall allot and issue 185,000,000 Consideration Shares to the Vendor at the Issue Price to satisfy part of the Consideration upon Acquisition Completion.

The Consideration Shares represent: (a) approximately 23.13% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 17.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares (assuming that there will be no change to the issued share capital of the Company from the Latest Practicable Date to the date of Acquisition Completion and the Placing Completion and all Placing Shares are successfully placed by the Placing Agent).

The Consideration Shares shall be issued by the Company pursuant to the Shares Specific Mandate to be sought from the Shareholders at the EGM. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects *inter se* and with all other Shares in issue on the date of allotment and issue of the Consideration Shares.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Issue Price

The Issue Price of HK$0.10 per Consideration Share represents:

(i) a discount of approximately 20.00% to the closing price of HK$0.125 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(ii) a discount of approximately 22.48% to the average closing price of approximately HK$0.129 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Sale and Purchase Agreement;

(iii) a discount of approximately 27.01% to the closing price of HK$0.137 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a premium of approximately 1.01% over the unaudited net asset value of approximately HK$0.099 per Share as set out in the interim report of the Company for the six months ended 30 June 2021 and calculated based on the number of Shares outstanding as of the date of the Sale and Purchase Agreement.

The Issue Price was determined after an arm's length negotiation between the Company and the Vendor after taking into account factors including the recent market price of the Shares and the current market conditions.

Making reference to 54 specific mandate issues (the "**Comparable Issues**") announced in the nine months ended 18 October 2021, being the date prior to the date of the Sale and Purchase Agreement, the Comparable Issues ranged from (i) a 98.42% discount to a 120.00% premium with an average discount of 8.68% to the respective market prices as quoted on the Stock Exchange on the date of the respective agreements of the Comparable Issues; and (ii) a 97.41% discount to a 90.00% premium with an average discount of 7.68% to the respective market prices as quoted on the Stock Exchange on the last five trading days prior to the respective agreements of the Comparable Issues. Taking into account the discount represented by the Issue Price for the date of the Sale and Purchase Agreement and for the last five consecutive trading days prior to the date of the Sale and Purchase Agreement are both (i) within the range of the Comparable Issues; and (ii) whilst below the average of the Comparable Issues, taking into account that the Shares have only traded above HK$0.10 for 51 trading days out of the 245 trading days for the period from 1 January 2021 to 18 October 2021, the Directors consider the Issue Price to be fair and reasonable in comparison to other specific mandate issues in the market. Based on the aforementioned factors, the Directors are of the view that the Issue Price is fair and reasonable.

The Corporate Guarantee

As at the Latest Practicable Date, Mr. Grant provided the Personal Guarantees in favour of the Bank to secure the indebtedness, liabilities and/or obligations of Projexasia under the bank credit facility(ies) granted by the Bank to Projexasia. Pursuant to the terms and conditions of the Sale and Purchase Agreement, subject to the Acquisition Completion, the Company shall execute the Corporate Guarantee in favour of the Bank as security for the payment obligations of Projexasia under the banking facilities made available by the Bank to Projexasia. Upon the Acquisition Completion, in the event that the Bank does not immediately and fully release and discharge Mr. Grant's liabilities and obligations under the Personal Guarantees, the Company undertakes to compensate Mr. Grant on demand from and against any and all reasonable costs, expenses, claims, losses and liabilities which may be incurred or suffered by Mr. Grant on a dollar-for-dollar basis in respect of any obligation or liability of Mr. Grant arising out of the Personal Guarantee(s) for the period commencing from the Acquisition Completion Date and ending on the date of full release and discharge of Mr. Grant's liabilities and obligations under the Personal Guarantees. The payment obligations of Projexasia under the aforesaid banking facilities up to the Latest Practicable Date was approximately HK$19.9 million.

The Vendor's undertakings

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably and unconditionally agrees and undertakes to the Company that:

(i) the audited net asset value of the Joint Venture as at the earlier of the date of closing of the Joint Venture and the first anniversary of the Acquisition Completion Date shall exceed nil;

(ii) in the event that the audited net asset value of the Joint Venture is nil or negative as at the earlier of the date of closing of the Joint Venture and the first anniversary of the Acquisition Completion Date (the "**NAV Shortfall**"), the Vendor shall pay the full amount of the NAV shortfall on a dollar-for-dollar basis to Projexasia on demand;

(iii) the participants of the Joint Venture will enter into an agreement (the "**Settlement Agreement**") in regards to a settlement payable to the Joint Venture of no less than HK$49,000,000;

(iv) the share of profit, after deduction of certain payables due by the Joint Venture to certain subcontractors and suppliers for construction-related materials and services, entitled by Projexasia resulting or arising from the Settlement Agreement in the amount of no less than HK$4,275,430.33 (the "**Amount of Share of Profit from JV**") shall be received by Projexasia by the date of closing of the Joint Venture; and

(v) in the event that the Amount of Share of Profit from JV has not been received by Projexasia by the date of closing of the Joint Venture, the Vendor shall pay the full amount of the Amount of Share of Profit from JV (or any shortfall thereof) on a dollar-for-dollar basis to Projexasia.

Acquisition Completion

Acquisition Completion shall take place on the date falling on the fifth Business Day after the fulfillment (or waiver) of all the Acquisition Conditions (or such other date as the Company and the Vendor may agree in writing).

Upon the Acquisition Completion, the Company will be interested in the entire issued share capital of the Target Company. As such, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

EMPLOYMENT CONTRACT

Upon the Acquisition Completion, Projexasia and Mr. Grant shall enter into the Employment Contract, pursuant to which Mr. Grant shall serve as a managing director and director of Projexasia for a fixed term of one (1) year from the Acquisition Completion Date and such employment shall continue thereafter until terminated by giving the other party not less than six months' written notice provided that Projexasia shall not give notice to Mr. Grant to terminate the Employment Contract and/or remove Mr. Grant from being a member of the board of directors of Projexasia before the Personal Guarantees are fully and effectively released by the Bank in writing.

The Board believes that Mr. Grant's continued involvement in the management of Projexasia would ensure the smooth operation of the Target Group following the Acquisition Completion. For details of the biography of Mr. Grant, please refer to paragraph 10 in Appendix VI to this circular.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is principally engaged in investment holding and is wholly-owned by Mr. Grant.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 23 August 2021 and is principally engaged in investment holding. As at the Latest Practicable Date, the Target Company is direct wholly-owned by the Vendor.

Projexasia is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of repair, maintenance, alteration and addition ("**RMAA**") works and new construction works.

Projexasia has been a Registered General Building Contractor since 2001, providing main contracting, project and construction management services in Hong Kong and the Asia region. Projexasia is accredited under the ISO9001:2015 Quality Management System, ISO14001:2015 Environmental Management System, ISO45001:2018 Occupational Health and Safety Management Systems and an Integrated Management System. As at 31 August 2021, Projexasia had five projects on hand with an aggregate contract value of approximately HK$38.5 million.

The Joint Venture is an unincorporated joint venture and is owned as to 50% by Projexasia and 50% by Scenario Cockram, respectively. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, Scenario Cockram was owned as to (i) approximately 86.7% by Kajima Cockram International Pty Ltd, which was in turn a wholly-owned subsidiary of a public company incorporated in Japan and listed on the Tokyo Stock Exchange, and (ii) approximately 13.3% by Scenario Design, which was in turn owned as to 30% by Fast Creative, 30% by SR Design Consulting and 40% by Trendcity. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, Scenario Cockram and its ultimate beneficial owner(s) are Independent Third Parties and an independent third party of the Vendor, Mr. Grant and their associates.

The Joint Venture is principally engaged in the preparation and submission of tender and execution and completion of the works in accordance with any contract, in relation to a specific project, awarded to the Joint Venture by a theme park operator based in Hong Kong, that the Hong Kong Government has interests in, as a result of submission of such tender and the Joint Venture Agreement. Save as disclosed above, the Joint Venture does not have any other business. As at the Latest Practicable Date, the works in accordance with the specific project have been completed. Pursuant to the terms and conditions of the Joint Venture Agreement, the Joint Venture and the Joint Venture Agreement shall terminate and steps shall be taken for it to be closed upon complete fulfillment of the contract awarded and final settlement of all accounts between Scenario Cockram and Projexasia and between the Joint Venture and third parties. As at the Latest Practicable Date, approximately HK$49,000,000 has not been settled under the contract awarded to the Joint Venture. Taking into account the outstanding payables in relation to the Joint Venture, the corresponding net cash inflow to the Joint Venture is expected to be approximately HK$8,551,000.

Upon the Acquisition Completion and the subsequent consolidation of the Target Group's financial results, assets and liabilities into the consolidated financial statements of the Group, the Joint Venture will be treated as an investment in a joint venture.

Financial information of the Target Group

The Target Company was incorporated on 23 August 2021. It does not carry on any business other than holding the entire equity interest in Projexasia. Set out below is the financial information of Projexasia, which has included the financial effects of the Joint Venture, based on its audited consolidated financial statements for the two years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2020	**2019**
	(audited)	(audited)
	HK$'000	*HK$'000*
Revenue	116,627	150,473
Profit/(Loss) before taxation	(3,341)	519
Profit/(Loss) after taxation	(3,341)	525

The unaudited consolidated total assets, total liabilities and net asset value of Projexasia as at 31 July 2021 according to the unaudited consolidated financial statements of Projexasia were approximately HK$38.9 million, approximately HK$36.2 million and approximately HK$2.7 million, respectively.

The loss recorded for the year ended 31 December 2018 is primarily due to excessive labour costs as Projexasia had several direct labourers on pay roll that were significantly less cost-effective than subcontracting labourers to meet the labour requirements of tendered projects. Direct labourers resulted in significant employee expenses related to ongoing retirement contributions, insurance premiums and costs arising from labourers injuries. In order to address the aforementioned issue, Projexasia reduced its direct labourers as evidenced by the significant drop in administrative expenses for the year ended 31 December 2019 which contributed to Projexasia recovering from its loss making position during the year ended 31 December 2019.

The loss recorded for the year ended 31 December 2020 was primarily attributable to the severe quarantine and lockdown procedures implemented by the Hong Kong Government in response to the COVID-19 outbreak. Such policies and measures resulted in temporary suspensions of ongoing projects and delayed negotiations of new projects. The COVID-19 outbreak also caused significant disruption to the local and international logistics infrastructure resulting in shipment delays and fluctuating prices of construction materials.

As disclosed in the accountants' report of the Target Company as set out in Appendix II to this circular, as at 31 May 2021, Projexasia had a net current liabilities position of approximately HK$11.3 million. The net current liabilities position of Projexasia is primarily due to approximately HK$10.2 million of certain amounts of bank balances and investments in life insurance policies (the "**Financial Assets**") as at 31 May 2021 that have been pledged to secure short-term bank borrowings and other general banking facilities granted to Projexasia, further details of which are disclosed in note 30 to the accountants' report of the Target Company as set out in Appendix II to this circular. Whilst the Financial Assets are classified as non-current assets, the bank facilities are classified as current liabilities. As at 31 May 2021, due to accounting policies under the Hong Kong Financial Reporting Standard 16 "Leases" in relation to an office lease, Projexasia had lease liabilities of approximately HK$1.38 million classified under current liabilities whereas Projexasia's right-of-use assets are entirely classified under non-current assets. Such lease liabilities do not represent a payment obligation of Projexasia. Taking into account the aforementioned factors, Projexasia's net current liabilities position is primarily due to accounting related policies.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company, and the Group is principally engaged in performing RMAA works, new construction works and corrosion protection works in Hong Kong as multi-disciplinary contractors.

In recent years, the Group's revenue and profit have been relatively inconsistent mainly due to the impact of exceptional circumstances such as the political turmoil in Hong Kong in 2019 and the novel coronavirus outbreak in Hong Kong in 2020. The construction industry in Hong Kong is also highly competitive with other listed companies principally engaged in a similar business segment as the Group. Within the construction industry, customer relations are crucial to securing contracts and accordingly it is difficult to secure contracts from new customers which the Group has no prior relationship with. As a result of the aforementioned factors, the Directors endeavor to diversify the business of the Group in order to strengthen the market position of the Group in the industry and maximize the return of the Shareholders.

Projexasia, whilst engaged in the same business segment as the Group, has a different customer base from the Group's. Projexasia's customer base is primarily large commercial non-governmental entities such as offices, banks, retail brands, hotels and shopping malls as compared to the Group's customer base of primarily government affiliated entities and non-profit organisations such as a public company which principal activities are the operation of railway in Hong Kong; a racing and race course entertainment operator and a theme park operator based in Hong Kong. The Acquisition will expand the Group's customer base and specialisations, allowing the Group to offer more diverse and comprehensive products and services, thereby enabling the Group to negotiate more effectively on contracts with new customers.

In addition, Projexasia has experience in securing and completing larger scale projects and has completed several projects with individual contract sum of over HK$100 million as compared to the Group's largest single project contract sum of approximately HK$45 million. The Acquisition will provide the Group with experience in and a track record of working on larger scale projects. The Acquisition will also allow Projexasia to better position itself within and expand upon its customer base as part of a listed company on the Stock Exchange.

Whilst Projexasia has been loss-making in recent years, Projexasia has operated for over 20 years with strong market recognition. There are also significant synergy effects as aforementioned and potential cost cutting opportunities upon the Acquisition Completion such as the sharing of administrative costs, office space, subcontractors and procurement. With the rapid global rollout of the COVID-19 vaccines and the minimal daily cases of COVID-19 in Hong Kong in the six months prior to the date of the Sale and Purchase Agreement, with an average of less than 20 daily cases according to data published by the Hong Kong Government, the Directors are optimistic on the relaxation of quarantine and border policies by the Hong Kong Government which will aid in the economic recovery of Hong Kong. The Directors consider that expanding the Group's client base and expertise will allow the Group to capitalise on the recovery of Hong Kong's economy from the effects of the COVID-19 outbreak. Accordingly, the primary purpose of the Acquisition is to broaden the Group's network and expertise which if the Group were to attempt to grow organically may incur significant costs with no guarantee of success. Projexasia has a strong base of clients that substantially differs from that of the Group's and has expertise that the Directors consider can be better utilised by the Group. The Directors are also of the opinion that a company with similar traits to Projexasia, in regards to client base and expertise that is also profit-generating and has a strong balance sheet which may be prohibitively expensive for the Group to acquire.

Taking into account the above, despite the net loss recorded for the years ended 31 December 2018 and 2020 and the net current liabilities position of Projexasia as at 31 May 2021, the Directors believe that the terms of the Sale and Purchase Agreement, including the Consideration and the Issue Price, are fair and reasonable and the entering into of the Sale and Purchase Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 19 October 2021, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure, as agent of the Company, not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties and shall exclude the Vendor and Mr. Grant along with their close associates, to subscribe for up to 65,000,000 Placing Shares at the Placing Price of HK$0.10 per Placing Share on a best effort basis.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are set out below:

Date: 19 October 2021

Parties: (i) the Company, as issuer; and

(ii) China Rise Securities Asset Management Company Limited, as the Placing Agent

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing

Pursuant to the terms and conditions of the Placing Agreement, the Placing Agent has conditionally agreed to procure, as agent of the Company, not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties, and shall exclude the Vendor and Mr. Grant, to subscribe for up to 65,000,000 Placing Shares at the Placing Price of HK$0.10 per Placing Share on a best effort basis.

Placing commission

In consideration of the services of the Placing Agent in relation to the Placing and provided that the Placing Completion occurs in accordance with the terms and conditions of the Placing Agreement, the Company shall pay to the Placing Agent a commission of 5.0% (the "**Placing Commission**") of the aggregate Placing Price in respect of such number of the Placing Shares successfully placed by the Placing Agent plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Placing.

The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents, the size of the Placing and the price performance of the Shares.

In order to assess the fairness and reasonableness of the Placing Commission, references have been made to a total of 28 placing transactions (the "**Placing Comparables**") of companies listed on the Main Board or GEM of the Stock Exchange, announced in the three months period immediately preceding the date of the Sale and Purchase Agreement on the website of the Stock Exchange (https://www.hkex.com.hk). Among the Placing Comparables, the placing commissions range from 0.5% to 5% with an average of approximately 2.4%. The Placing Commission lies within the range of commission of the Placing Comparables and the Directors are of the view that the Placing Commission is in line with the market rate.

Having considered the above, the Directors consider that the placing commission in respect of the Placing is fair and reasonable based on the current market conditions.

Number of the Placing Shares

The maximum number of Placing Shares under the Placing represents: (a) approximately 8.13% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 6.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares (assuming that there will be no change to the issued share capital of the Company from the Latest Practicable Date to the date of the Acquisition Completion and the Placing Completion). The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK$650,000.

The Placing Shares shall be issued and allotted pursuant to the Placing Specific Mandate to be sought from the Shareholders at the EGM.

An application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Ranking of the Placing Shares

The Placing Shares under the Placing, when issued and fully paid up, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placees

The Placing Shares are expected to be placed, on a best effort basis, to no less than six independent Placees, who and whose respective ultimate beneficial owners are Independent Third Parties.

Upon the Placing Completion, it is expected that none of the Placees will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company. If any of the Placees will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company after the Placing Completion, further announcement will be made by the Company.

Placing Price

The Placing Price of HK$0.10 per Placing Share is equivalent to the Issue Price and represents a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 1.55% of the theoretical diluted price of approximately HK$0.127 per Share to the benchmarked price of HK$0.129 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price of HK$0.125 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement of approximately HK$0.129 per Share).

The net Placing Price (after deducting the costs and expenses of the Placing) is approximately HK$0.085 per Placing Share. Based on a nominal value of HK$0.01 per Share, the aggregate nominal value of the Placing Shares is HK$650,000.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent after taking into account factors including the recent market price of the Shares and the current market conditions.

The Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Placing Conditions Precedent

The Placing Completion is conditional upon and subject to:

(i) the passing by the Shareholders at the EGM to be convened and held in accordance with the requirements of the GEM Listing Rules, of such resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder, including but not limited to the grant of the Placing Specific Mandate and the allotment and issue of the Placing Shares;

(ii) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares;

(iii) the Sale and Purchase Agreement having become unconditional in all respects (other than the Placing Completion); and

(iv) Placees subscribing an aggregate of not less than 65,000,000 Placing Shares (or such other amount as the Placing Agent and the Company shall agree in writing) having been procured by the Placing Agent.

The Placing and the Acquisition are inter-conditional. All Placing Conditions set out above are incapable of being waived by any parties thereto. If the Placing Conditions shall not be so satisfied on or before 31 March 2022 (or such later date as the Placing Agent and the Company may agree in writing), all obligations of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto (save in respect of any antecedent breach of any obligation and liabilities under the Placing Agreement).

Placing Completion

The Placing Completion shall take place on the third Business Day after the fulfillment of all the Placing Conditions (or on such other date and place as the Company and the Placing Agent may agree in writing).

Force majeure

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 9:00 a.m. on the Placing Completion Date if:

(i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or

(ii) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or

(iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or

(iv) any statement contained in the Announcement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or

(v) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or

(vi) any event of force majeure (being an event beyond the control of the Company and the Placing Agent and which is unforeseeable or unavoidable), including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the Company and the Placing Agent.

Upon termination of the Placing Agreement, all liabilities of the Company and the Placing Agent thereunder shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of (i) any antecedent breach of any obligation and liabilities under the Placing Agreement; and (ii) any liabilities in respect of the representations made by the Company, undertakings by the Placing Agent, indemnity and reimbursements.

The Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

Subject to the Placing Completion and assuming all the Placing Shares are successfully placed, the maximum gross proceeds from the Placing are expected to be approximately HK$6.5 million; and the net proceeds (after deducting related costs and expenses of the Acquisition and the Placing) from the Placing are estimated to be approximately HK$5.5 million. On such basis, the maximum net issue price raised per Placing Share will be approximately HK$0.085. The Company intends to apply the entire net proceeds from the Placing of approximately HK$5.5 million for the partial settlement of the Consideration.

The Company has considered other financing alternatives such as rights issue or open offer but due to the relatively small amount of net proceeds required, such alternatives would incur significant time and transaction costs including but not limited to higher professional fees for preparing the requisite compliance and legal documentation. Such corporate exercises also generally take significantly more time than a placing which may result in the Company being subject to the increasing uncertainty in the market price of the Shares and being able to raise the requisite funds which could affect the Acquisition. The Company has also considered debt financing but any debt financing would likely result in adding an interest-burden to the Group. Moreover, the Directors consider that the Placing represents a good opportunity for the Company to broaden its shareholder and capital bases while raising funds for the Acquisition.

Having considered the reasons for and benefits of the Acquisition as mentioned in the section headed "Reasons for and benefits of the Acquisition" in this circular, the Company intends to apply the entire net proceeds from the Placing for partial settlement by cash payment of the Consideration in the sum of HK$5.5 million.

The Directors are of the opinion that the terms and conditions of the Placing Agreement, including the Placing Price, are fair and reasonable and are on normal commercial terms and the Placing is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there are no other changes in the share capital of the Company from the Latest Practicable Date up to the date of issue of the Consideration Shares and the Placing Shares and the Placing Shares are subscribed in full, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Placing Completion; and (iii) immediately after the Placing Completion, the Acquisition Completion and the allotment and issue of the Consideration Shares:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the Placing Completion**		**Immediately after the Placing Completion, Acquisition Completion and the allotment and issue of the Consideration Shares**	
	Number of Shares held	*Approx. %*	*Number of Shares held*	*Approx. %*	*Number of Shares held*	*Approx. %*
Advanced Pacific Enterprises Limited ("**Advanced Pacific**") *(Note 1)*	600,000,000	75.00	600,000,000	69.36	600,000,000	57.14
Vendor	–	–	–	–	185,000,000	17.62
Public Shareholders						
– Placees	–	–	65,000,000	7.52	65,000,000	6.19
– Other public Shareholders	200,000,000	25.00	200,000,000	23.12	200,000,000	19.05
Total	800,000,000	100	865,000,000	100	1,050,000,000	100

Notes:

1. Advanced Pacific, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Heung Chung Sum, who is the executive Director, chairman, chief executive and controlling shareholder of the Company. As such, Mr. Heung Chung Sum is deemed to be interested in all the Shares held by Advanced Pacific.

2. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As the Acquisition is conditional upon the Placing having been completed with net proceeds of not less than HK$5.5 million, the issue of the Consideration Shares will not cause the Company to breach the public float requirement nor result in any change of control under the GEM Listing Rules, assuming no change in the issued share capital of the Company other than the issue of the Placing Shares and the Consideration Shares from the Latest Practicable Date to the date of the Acquisition Completion and the Placing Completion.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercises in the past twelve months immediately before the Latest Practicable Date.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Acquisition Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. It is expected that the Acquisition will have the following financial effects on the Group:

The Unaudited Pro Forma Financial Information is set out in Appendix IV to this circular for illustrative purposes. The Unaudited Pro Forma Financial Information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 30 June 2021.

Assets and Liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the Acquisition Completion had taken place on 30 June 2021, the total assets of the Enlarged Group as at 30 June 2021 would increase from approximately HK$174.6 million to approximately HK$223.0 million on a pro forma basis, and the total liabilities of the Enlarged Group as at 30 June 2021 would increase from approximately HK$95.6 million to approximately HK$120.0 million on a pro forma basis. The net assets of the Enlarged Group as at 30 June 2021 would increase from approximately HK$79.0 million to approximately HK$103.0 million on a pro forma basis.

Earnings

Based on the consolidated financial information of the Target Company for the three years ended 31 December 2020 as set out in Appendix II to this circular, the consolidated revenue of the Target Group was approximately HK$157.1 million, HK$150.5 million and HK$116.6 million, respectively. The consolidated gross profit of the Target Group was approximately HK$14.4 million, HK$12.6 million and HK$8.0 million, respectively, for the three years ended 31 December 2020.

As disclosed in the section headed "Reasons for and benefits of the Acquisition", the Group expects there will be synergy effects between the Group and the Target Group and in view of the long track record of the Target Group, its extensive experience within the same industry as the Group and its established customer base, it is anticipated that the Acquisition will contribute positively to the Enlarged Group's financial performance and trading prospects in the future.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Company has not conducted any equity fund raising activities in the past 12 months prior to the Announcement and the Placing will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Placing is in compliance with Rule 10.44A of the GEM Listing Rules.

The Company will seek the Shareholders' approval at the EGM for the grant of the Shares Specific Mandate and the Placing Specific Mandate to allot and issue the Consideration Shares and the Placing Shares, respectively.

EGM

The EGM will be convened and held at Unit I, 11/F, Block 2, Kin Ho Industrial Building, 14-24 Au Pui Wan Street, Fotan, New Territories, Hong Kong on Thursday, 16 December 2021 at 4:00 p.m. for the Shareholders to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Shares Specific Mandate); and (ii) the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares under the Placing Specific Mandate).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition or the Placing, and therefore no Shareholder is required to abstain from voting on the relevant resolution(s) in respect of the Sale and Purchase Agreement and the Placing Agreement and the respective transactions contemplated thereunder to be proposed at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form is also published on the website of the Stock Exchange at www.hkex.com.hk. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instruction printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 4:00 p.m. on Tuesday, 14 December 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to attend the EGM to be held on Thursday, 16 December 2021, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 December 2021.

RECOMMENDATION

The Directors are of the view that the Acquisition, the Placing and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution(s) approving the Acquisition, the Placing and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Shares Specific Mandate and the allotment and issue of the Placing Shares under the Placing Specific Mandate) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Each of the Acquisition Completion and the Placing Completion is conditional upon the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and the Placing Agreement, respectively. Accordingly, the Acquisition and the Placing may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman, Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE COMPANY

Details of (i) the unaudited consolidated financial information of the Group for the six months ended 30 June 2021 and (ii) to (iv) the audited consolidated financial information of the Group for the years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tongkee.com.hk).

(i) The unaudited financial information of the Group for the six months ended 30 June 2021 is disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 12 August 2021, from pages 15 to 32;

https://www1.hkexnews.hk/listedco/listconews/gem/2021/0812/2021081200976.pdf

(ii) The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 March 2021, from pages 43 to 95;

https://www1.hkexnews.hk/listedco/listconews/gem/2021/0329/2021032901350.pdf

(iii) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 24 March 2020, from pages 42 to 95;

https://www1.hkexnews.hk/listedco/listconews/gem/2020/0324/2020032400431.pdf

(iv) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 26 March 2019, from pages 42 to 103;

https://www1.hkexnews.hk/listedco/listconews/gem/2019/0326/gln20190326055.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2021, being the latest practicable date prior to the printing of this circular and for the purpose of ascertaining the information contained in this statement of indebtedness, the Enlarged Group had outstanding indebtedness as follows:

Bank borrowings

As at the close of business on 30 September 2021, the Enlarged Group had bank borrowings of approximately HK$57.7 million. Approximately HK$37.1 million of the borrowings were guaranteed by corporate guarantee from the Company, personal guarantee provided by a controlling shareholder of the Company, and were secured by the Group's land and buildings, and legal charge on life insurance policy of the Group. Approximately HK$20.6 million were guaranteed by the personal guarantee provided by a controlling shareholder of the Target Company and legal charge on life insurance policy of the Target Group.

Lease liabilities

As at the close of business on 30 September 2021, the Enlarged Group, as a lessee, had outstanding unpaid contractual lease liabilities of approximately HK$4.9 million in relation to leased assets and the remaining lease terms of the right-of-use assets. Lease liabilities of approximately HK$1.5 million are effectively secured by corporate guarantees from a subsidiary of the Company and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group. The remaining lease liabilities in relation to the remaining lease terms of the right-of-use assets are unsecured and unguaranteed.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 September 2021, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, loans or liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debenture or other loan capital, mortgages, charges, lease liabilities or acceptance credits or finance lease or hire purchase commitments, or contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company have been made up.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful considerations, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group including the internally generated funds, the currently available banking and credit facilities and the effects of the Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in performing RMAA works, new construction works and corrosion protection works in Hong Kong as multi-disciplinary contractors.

The outbreak of the novel coronavirus (COVID-19) and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the economy. While it would be difficult to gauge the longer term impact of such events as the situation is dynamically evolving, the Group has been proactive in closely monitoring the market conditions and taking appropriate measures to respond to the challenges. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more RMAA and corrosion protection works contracts. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group, if any. The Group will continue to strengthen its cost control and resources management as well as to actively participate in project tenders, in order to maintain its competitiveness in the market.

Projexasia is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of RMAA works and new construction works.

The Directors are of the opinion that following the Acquisition, the Group will be able to expand its service offerings and customer base by combining the expertise and network of the Group and Projexasia. With the added expertise of Projexasia, the Group will have an expanded and diversified portfolio of clients served and projects completed along with a more diverse and comprehensive team of experts. With its expanded team and portfolio, the Group is more likely to secure new clients and projects.

The following is the text of a report set out on pages II-1 to II-54, received from the Company's reporting accountant, D & Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular. It is prepared and addressed to the directors of the Company pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF PROJEXASIA LIMITED

TO THE DIRECTORS OF TONG KEE (HOLDING) LIMITED

Introduction

We report on the historical financial information of Projexasia Limited (the "**Target Company**") set out on pages II-4 to II-54, which comprises the statements of financial position as at 31 December 2018, 2019 and 2020 and 31 May 2021, and the statements of profit and loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-54 forms an integral part of this report, which has been prepared for inclusion in the circular of Tong Kee (Holding) Limited (the "**Company**") dated 26 November 2021 (the "**Circular**") in connection with the proposed acquisition of 100% equity interests of the Target Company.

Directors' Responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2018, 2019 and 2020 and 31 May 2021, and of Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Notes 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative Historical Financial Information of the Target Company which comprises the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the five months ended 31 May 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The director of the Target Company is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in notes 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends declared by the Target Company in respect of the Relevant Periods.

Yours faithfully
D & PARTNERS CPA LIMITED
Certified Public Accountants
Heung Wai Keung
Practising Certificate Number: P06700
Hong Kong
26 November 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

					Five months ended	
		Year ended 31 December			31 May	
	Note	**2018**	**2019**	**2020**	**2020**	**2021**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	157,077	150,473	116,627	35,324	14,007
Cost of sales		(142,663)	(137,891)	(108,573)	(32,201)	(12,140)
Gross profit		14,414	12,582	8,054	3,123	1,867
Other income	7	199	60	2,767	141	102
Other loss	7	–	–	(1,972)	(75)	–
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		38	204	(657)	380	220
Administrative expenses		(14,490)	(11,895)	(11,311)	(7,315)	(4,554)
Share of results of a joint venture		225	943	636	315	24
Finance costs	8	(1,445)	(1,375)	(858)	(373)	(266)
(Loss)/profit before tax		(1,059)	519	(3,341)	(3,804)	(2,607)
Income tax (expense)/credit	9	(24)	6	–	–	–
(Loss)/profit and total comprehensive (expense)/ income for the year/period	12	(1,083)	525	(3,341)	(3,804)	(2,607)

STATEMENTS OF FINANCIAL POSITION

					As at
		As at 31 December			31 May
	Notes	**2018**	**2019**	**2020**	**2021**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	13	341	271	56	44
Right-of-use assets	14	781	2,417	967	3,045
Interest in a joint venture	15	1,725	2,668	1,500	1,524
Financial assets at fair value through profit or loss	16	5,403	5,607	10,026	10,246
Deposits	19	453	359	363	310
Time deposits		7,000	–	–	–
		15,703	11,322	12,912	15,169
Current assets					
Trade receivables	17	19,194	8,063	1,463	1,046
Contract assets	18	21,020	9,536	11,074	9,228
Deposits and prepayments	19	576	1,006	626	594
Amounts due from related companies	30	87	103	114	144
Amount due from a joint venture	15	–	–	378	378
Tax recoverable		644	644	62	62
Time deposits		–	7,000	–	–
Cash and cash equivalents	20	22,702	7,572	11,945	166
		64,223	33,924	25,662	11,618
Current liabilities					
Trade payables	21	11,764	13,732	4,118	3,379
Contract liabilities	22	32,820	5,474	4,324	2,690
Amount due to a joint venture	15	75	68	–	–
Amount due to the shareholder	30	–	–	–	304
Accruals and other payables	23	251	189	192	247
Lease liabilities	24	795	1,504	911	1,380
Bank borrowings	25	19,800	14,497	24,029	14,874
		65,505	35,464	33,574	22,874
Net current liabilities		(1,282)	(1,540)	(7,912)	(11,256)
Total assets less current liabilities		14,421	9,782	5,000	3,913

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2019 HK$'000	As at 31 December 2020 HK$'000	As at 31 May 2021 HK$'000
Non-current liabilities					
Deferred tax liabilities	26	28	22	22	22
Lease liabilities	24	–	911	–	1,520
		28	933	22	1,542
Net assets		14,393	8,849	4,978	2,371
Capital and reserves					
Share capital	27	4,200	4,200	4,200	4,200
Retained profits/(accumulated losses)		10,193	4,649	778	(1,829)
Total equity		14,393	8,849	4,978	2,371

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Target Company		
	Share Capital	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	4,200	11,276	15,476
Loss and total comprehensive expense for the year	–	(1,083)	(1,083)
At 31 December 2018 and 1 January 2019	4,200	10,193	14,393
Profit and total comprehensive income for the year	–	525	525
Dividends declared and paid *(note 10)*	–	(6,069)	(6,069)
At 31 December 2019 and 1 January 2020	4,200	4,649	8,849
Loss and total comprehensive expense for the year	–	(3,341)	(3,341)
Dividends declared and paid *(note 10)*	–	(530)	(530)
At 31 December 2020 and 1 January 2021	4,200	778	4,978
Loss and total comprehensive expense for the period	–	(2,607)	(2,607)
At 31 May 2021	4,200	(1,829)	2,371
Unaudited			
At 1 January 2020	4,200	4,649	8,849
Loss and total comprehensive expense for the period	–	(3,804)	(3,804)
At 31 May 2020 (unaudited)	4,200	845	5,045

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
(Loss)/profit before tax	(1,059)	519	(3,341)	(3,804)	(2,607)
Adjustments for:					
Depreciation of property, plant and equipment	135	123	103	42	12
Depreciation of right-of-use assets	1,340	1,406	1,450	605	604
Share of results of a joint venture	(225)	(943)	(636)	(315)	(24)
(Gain)/loss arising from change in fair value of financial assets at fair value through profit or loss	(38)	(204)	657	(380)	(220)
Write off of trade receivables	–	–	1,971	75	–
Interest income	(25)	(58)	(26)	(12)	(13)
Finance costs	1,445	1,375	858	373	266
Loss on disposal of property, plant and equipment	–	–	57	–	–
Operating cash flows before movements in working capital	1,573	2,218	1,093	(3,416)	(1,982)
Decrease in trade receivables	384	11,131	4,629	1,214	417
Decrease/(increase) in contract assets	7,403	11,484	(1,538)	(6,147)	1,846
Decrease/(increase) in deposits and prepayments	4,470	(315)	400	(573)	95
(Decrease)/increase in trade payables	(9,858)	1,968	(9,614)	(4,364)	(739)
Increase/(decrease) in contract liabilities	16,405	(27,346)	(1,150)	(1,307)	(1,634)
(Decrease)/increase in accruals and other payables	(27)	(62)	3	(14)	55
Cash from/(used in) operations	20,350	(922)	(6,177)	(14,607)	(1,942)
Income tax (paid)/refund	(1,474)	–	582	469	–
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	18,876	(922)	(5,595)	(14,138)	(1,942)

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
INVESTING ACTIVITIES					
Interest received	5	37	3	3	3
Purchase of property, plant and equipment	(347)	(53)	(10)	–	–
Proceeds from disposal of property, plant and equipment	–	–	65	–	–
Purchase of financial assets at fair value through profit or loss	–	–	(5,076)	–	–
Dividends received from a joint venture	–	–	1,803	1,803	–
Acquisition of investment in a joint venture	(1,500)	–	–	–	–
Advance from/(repayment to) a joint venture	75	(7)	(446)	(446)	–
Advance to related companies	(16)	(16)	(11)	(5)	(30)
(Placement)/withdrawal of time deposits	(7,000)	–	7,000	7,000	–
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(8,783)	(39)	3,328	8,355	(27)
FINANCING ACTIVITIES					
Dividends paid	–	(6,069)	(530)	–	–
Advance from the shareholder	–	–	–	–	304
Interest paid	(1,445)	(1,422)	(858)	(373)	(266)
New bank borrowings raised	71,700	59,400	40,524	28,088	12,000
Repayment of borrowings	(70,945)	(64,703)	(30,992)	(16,759)	(21,155)
Repayment of bank overdrafts	(2,953)	–	–	–	–
Repayment of lease liabilities	(1,315)	(1,375)	(1,504)	(618)	(693)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(4,958)	(14,169)	6,640	10,338	(9,810)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,135	(15,130)	4,373	4,555	(11,779)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	17,567	22,702	7,572	7,572	11,945
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD AND REPRESENTED BY BANK BALANCES AND CASH	22,702	7,572	11,945	12,127	166

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE TARGET COMPANY

Projexasia Limited (the "**Target Company**") was established in Hong Kong as a limited liability company on 20 January 1997. The address of its registered office is 2nd Floor, Chung Nam Building, 1 Lockhart Road, Hong Kong. The principal activities of the Target Company is provision of construction management services and acting as a management contractor for the provision of repair, maintenance, alternation and addition ("**RMAA**") works and new construction works.

On 19 October 2021, Mr. Grant Stephen John, the shareholder of the Target Company has transferred his entire shares to Precise Capital Global Limited. Upon the completion of the transaction, Precise Capital Global Limited has become the immediate holding company of the Target Company.

The Target Company's controlling shareholder is Mr. Grant Stephen John during the Relevant Periods.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Target Company. All values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. BASIC OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The Target Company incurred losses of HK$1,083,000, HK$3,341,000 and HK$2,607,000 for the year ended 31 December 2018, 31 December 2020 and period ended 31 May 2021, respectively. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the Target Company's current liabilities exceed its current assets by HK$1,282,000, HK$1,540,000, HK$7,912,000 and HK$11,256,000, respectively. As at 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company's total borrowings amounted to HK$14,497,000, HK$24,029,000 and 14,874,000, respectively, while its cash and cash equivalents only amounted to HK$7,572,000, HK$11,945,000 and HK$166,000, respectively.

In addition, as at 31 May 2021, the financial resources available to the Target Company may not be sufficient to repay the staff's salary in subsequent month and may be subsequently breach the law under Employment Ordinance (Cap. 57).

Notwithstanding these conditions, the director of the Target Company considers the Target Company will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, is satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis as the director has agreed to provide sufficient financial support to the Target Company so as to enable the Target Company to meet its liabilities as and when they fall due and to enable the Target Company to continue operating for the foreseeable future.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their net realisable amounts, to provide for the future liabilities which right arise and to reclassify non-current assets to current assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing an presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied Hong Kong Accounting Standards ("**HKASs**"), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the Target Company's annual accounting period beginning on 1 January 2021 throughout the Relevant Periods.

The statutory financial statements of the Target Company for the year ended 31 December 2018, 2019 and 2020 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprise in Hong Kong and was audited by W.H. Wong and Company, Certified Public Accountant which is certified public accountants registered in Hong Kong.

The following amendments to HKFRSs, potentially relevant to the Target Company, have been issued by the HKICPA, which are not yet effective and have not been early adopted by the Target Company in preparing this Historical Financial Information:

		Effective for the accounting period beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Assets	1 January 2023
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKFRS 16 Leases and HKAS 41 Agriculture	1 January 2022

The directors of the Company do not anticipate that the application of the above amendments to HKFRSs will have material impact on the Target Company's financial statements and/or the disclosures to the Target Company's financial performance and position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 and HKFRS 16 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below:

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Company for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the statements of financial position at cost and adjusted thereafter to recognise the Target Company's share of the profit or loss and other comprehensive income of a joint venture. When the Target Company's share of losses of a joint venture exceeds the Target Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Target Company's net investment in a joint venture), the Target Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Target Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Target Company assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Company ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Target Company retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Target Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of a joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in a joint venture is included in the determination of the gain or loss on disposal of a joint venture. In addition, the Target Company accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Target Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Target Company reduces its ownership interest in a joint venture but the Target Company continues to use the equity method, the Target Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When Target Company transacts with a joint venture of the Target Company, profits and losses resulting from the transactions with the joint venture are recognised in the financial statements only to the extent of interests in the joint venture that are not related to the Target Company.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Target Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Target Company also applies practical expedient not to separate non-lease components from lease component, an instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Target Company applies the short-term lease recognition exemption to leases of office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Target Company; and
- an estimate of costs to be incurred by the Target Company in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Target Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Company presents right-of-use assets as a separate line item on the statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liability

At the commencement date of a lease, the Target Company recognises lease liability measured at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of purchase options if the target company is reasonably certain to exercise the options; and
- payments of penalties for terminating lease, if the lease term reflects the Target Company exercising of an option to terminate the lease.

After the commencement date, lease liability is adjusted by interest accretion and lease payments.

The Target Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment, and

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Company presents lease liability as a separate line item on the statement of financial position.

Lease modifications

Except for COVID-19-related rent concessions in which the Target Company applied the practical expedient, the Target Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Company remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Company accounts for the remeasurement of lease liability by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Target Company has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived using the unchanged discount rates with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Impairment losses on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use asset are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Target Company estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue from contracts with customers

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the Target Company performs;
- The Target Company's performance creates and enhances an asset that the customer controls as the Target Company performs; or
- The Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Target Company's right to consideration in exchange for services that the Target Company has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Company's obligation to transfer services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Target Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Target Company's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (to specify), the Target Company estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Target Company will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Target Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting periods and the changes in circumstances during the reporting periods.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statements of financial position of the Target Company and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss and comprehensive income and in the period they incurred.

Provisions

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Retirement benefits scheme

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Target Company of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees of the Target Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. The Target Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Company in an independently administered fund. The Target Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from "profit/(loss) before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each of the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Company applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a Target Company entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the financial assets are presented as "other income".

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Target Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is derivative that is not designated and effective as a hedging instrument.

In addition, the Target Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other incomes" line item.

Impairment of financial assets

The Target Company performs impairment assessment under ECL model on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, deposits, amounts due from related companies and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for significant balances or collectively using a provision matrix for the remaining balances with appropriate groupings based on shared credit risk characteristics of customers from the relevant operating segment.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full.

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of loan and interest receivables, when the amounts are over three year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are Target Company on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each Target Company continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Target Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, contract liabilities accruals and other payables, lease liabilities, amount due to joint venture amount due to the shareholder and bank borrowings) are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on an effective interest basis.

Derecognition

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continued to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the Target Company's statements of cash flows, cash and cash equivalents comprises of cash at banks which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value.

Related parties

A party is considered to be related to the Target Company if:

(a) a person or a close member of that person's family is related to the Target Company if that person:

    (i) has control or joint control over the Target Company;

    (ii) has significant influence over the Target Company; or

    (iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) an entity is related to the Target Company if any of the following conditions applies:

    (i) the entity and the Target Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

    (ii) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a Target Company which the other entity is a member);

    (iii) the entity and the Target Company are joint ventures of the same third party;

    (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the reporting entity is itself such a plan, the sponsoring employees are also related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

A related party transaction is a transfer of resources, services or obligation between the Target Company and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Dividends

Dividends proposed by the director are classified as a separate allocation of retained profits within the equity section of the statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATED UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4 to the Historical Financial Information, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the director of the Target Company has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(a) Useful lives and impairment of property, plant and equipment and right-of-use asset

The Target Company reviews its property, plant and equipment and right-of-use asset for indications of impairment at each reporting period. In analysing potential impairments identified, the Target Company uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Target Company estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Target Company also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Target Company tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(b) Income tax

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Target Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. The Target Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Allowance for ECL on trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. In addition, the Company uses provision matrix to calculate ECL for the trade receivables and contract assets which are individually insignificant. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Company's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Company's trade receivables and contract assets are disclosed in notes 17 and 18 respectively.

(d) Revenue recognition of construction works and recognition of contract assets

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and processing charges and project staff costs, are supported by contract budget which was prepared by the director of the Target Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs overruns, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgment by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

(e) Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the director.

6. REVENUE

(a) Disaggregation of revenue from contracts with customers

The Target Company is principally engaged in the provision of construction management services and acting as a management contractor for the RMAA works and new construction works.

An analysis of the Target Company's revenue for the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Type of services					
Provision of construction management services and acting as a management contractor for the RMAA works and new construction works	157,077	150,473	116,627	35,324	14,007
Timing of revenue recognition					
Over time	157,077	150,473	116,627	35,324	14,007

(b) Performance obligations for contracts with customers

Provision of construction management services and acting as a management contractor for the RMAA works and new construction works

The Target Company provides provision of construction management services and acting as a management contractor for the RMAA works and new construction works. Such services are recognised as a performance obligation satisfied over time as the Target Company creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

(c) Transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) for contracts with customers that remain outstanding as at reporting date and the expected timing at recognising revenue is set out below:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	121,883	91,788	87,543	34,178
More than one year but not more than two years	13,543	10,199	–	–
More than two years	2,709	3,060	–	–
Total	138,135	105,047	87,543	39,178

7. OTHER INCOME/(OTHER LOSS)

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income					
Bank interest income	5	37	3	3	3
Government grants	–	–	2,523	50	23
Sundry income	174	2	–	–	–
Rental concession	–	–	218	79	66
Interest income on refundable deposits	20	21	23	9	10
	199	60	2,767	141	102
Other loss					
Write off of trade receivables	–	–	(1,972)	(75)	–

8. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowings	1,375	1,308	776	330	253
Interest on lease liabilities	70	67	82	43	13
	1,445	1,375	858	373	266

9. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Deferred income tax *(note 26)*	24	(6)	–	–	–

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 millions of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 millions will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Target Company for the Relevant Periods.

Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 millions of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 millions.

The tax expenses/(credit) for the year/period can be reconciled to the (loss)/profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before income tax	(1,059)	519	(3,341)	(3,804)	(2,607)
Tax calculated at Hong Kong Profits Tax rate	(175)	86	(551)	(628)	(430)
Tax effect of income not taxable for tax purpose	(44)	(196)	(522)	(123)	(44)
Tax effect of expenses not deductible for tax purpose	10	2	110	2	–
Tax effect of tax loss not recognised	233	102	949	743	473
Tax effect of deductible temporary differences not recognised	–	–	14	6	1
Tax charge/(credit) for the year/period	24	(6)	–	–	–

10. DIVIDENDS

During the years ended 31 December 2019 and 2020, the Target Company paid dividends for the amount of HK$6,069,000 and HK$530,000 to its shareholder, respectively.

11. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) Directors' emoluments

An analysis of the directors' remuneration of the Target Company, on a name basis, is as follows:

Year ended 31 December 2018

	Fees	Salaries, allowances, and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Mr. Stephen John Grant	–	3,769	18	3,787
Mr. Wong Hong Wai Albert*	–	157	3	160
Mr. Tang Clifton	–	–	–	–
	–	3,926	21	3,947

* Mr. Wong Hong Wai Albert was resigned on 16 August 2018.

Year ended 31 December 2019

	Fees	Salaries, allowances, and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Mr. Stephen John Grant	–	1,229	18	1,247
Mr. Tang Clifton#	–	–	–	–
	–	1,229	18	1,247

Mr. Tang Clifton was resigned on 1 February 2019.

Year ended 31 December 2020

	Fees	Salaries, allowances, and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of director				
Mr. Stephen John Grant	–	2,459	18	2,477

Year ended 31 May 2020 (Unaudited)

	Fees	Salaries, allowances, and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of director				
Mr. Stephen John Grant	–	1,750	8	1,758

Year ended 31 May 2021

	Fees	Salaries, allowances, and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of director				
Mr. Stephen John Grant	–	1,521	8	1,529

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid employees

During the Relevant Periods, of the five individuals with the highest emoluments in the Target Company, 1 was director of the Target Company whose emoluments are included in the disclosures in note 11(a) above. The emoluments of the remaining 4 individuals for the Relevant Period a as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries, allowances and benefits in kind	3,588	4,366	3,283	1,736	1,350
Discretionary bonuses	81	–	23	23	–
Retirement benefit scheme contributions	57	64	54	27	28
	3,726	4,430	3,360	1,786	1,378

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees				
	2018	2019	2020	2020	2021
				(unaudited)	
HK$1,000,001 to HK$1,500,000	1	3	1	–	–
Nil to HK$1,000,000	3	1	3	4	4
	4	4	4	4	4

No emoluments were paid by the Target Company to any of the five highest paid individuals as (i) an inducement to join or upon joining the Target Company; or (iii) compensation for loss of office during the Relevant Periods.

During the Relevant Periods, there are no loans, quasi loans and other dealing arrangements in favour of directors of the Target Company, controlled bodies and corporate by or controlled entities with such directors.

12. PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			**Five months ended 31 May**	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) for the year/period has been arrived at after:					
Auditor's remuneration	80	103	80	80	–
Depreciation of property, plant and equipment	135	123	103	40	12
Depreciation of right-of-use assets	1,340	1,406	1,450	605	604
Loss on disposal of property, plant and equipment	–	–	57	–	–
Staff cost (including director's remuneration)					
– Basic salaries, bonus, other benefits and retirement benefit scheme contributions	36,949	36,390	27,693	15,703	9,067

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Furniture & equipment *HK$'000*	Computers *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2018	600	735	1,194	–	2,529
Additions	–	–	47	300	347
At 31 December 2018	600	735	1,241	300	2,876
Additions	–	27	26	–	53
At 31 December 2019	600	762	1,267	300	2,929
Additions	–	–	10	–	10
Disposals	–	–	–	(300)	(300)
At 31 December 2020	600	762	1,277	–	2,639
At 31 May 2021	600	762	1,277	–	2,639
ACCUMULATED DEPRECIATION					
At 1 January 2018	600	629	1,171	–	2,400
Provided for the year	–	41	34	60	135
At 31 December 2018	600	670	1,205	60	2,535
Provided for the year	–	34	29	60	123
At 31 December 2019	600	704	1,234	120	2,658
Provided for the year	–	17	28	58	103
Disposals	–	–	–	(178)	(178)
At 31 December 2020	600	721	1,262	–	2,583
Provided for the period	–	7	5	–	12
At 31 May 2021	600	728	1,267	–	2,595
CARRYING AMOUNTS					
As at 31 May 2021	–	34	10	–	44
As at 31 December 2020	–	41	15	–	56
As at 31 December 2019	–	58	33	180	271
As at 31 December 2018	–	65	36	240	341

The above items of property, plant and equipment are depreciated over their useful lives as follows, after taking into account the estimated residual value, on a straight-line basis:

Leasehold improvements	Over the term of the lease
Furniture & equipment	5 years
Motor vehicles	5 years
Computers	3 years

14. RIGHT-OF-USE ASSETS

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Office Premises
	HK$'000
As at 31 December 2018	
Carrying amounts	781
As at 31 December 2019	
Carrying amounts	2,417
As at 31 December 2020	
Carrying amounts	967
As at 31 May 2021	
Carrying amounts	3,045

	Year ended 31 December			Five months ended 31 May	
	2019	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Depreciation charged	1,340	1,406	1,450	605	604
Total cash outflows for leases	1,384	1,442	1,368	661	661
Additions to right-of-use assets	–	3,042	–	–	2,682

During the years ended 31 December 2018, 31 December 2019 and 2020 and the period ended 31 May 2021, the Target Company leases various offices for its operations. Lease contracts are entered into for terms ranging from less than one year to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Company applies the definition of a contract and determines the period based on the contractual terms of the contract.

At the end of the reporting period, the portfolio of short-term leases to which it is committed is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

15. INTEREST IN A JOINT VENTURE

Details of the Target Company's in a joint venture are as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest in a joint venture	1,725	2,668	1,500	1,524
Amount due (to)/from a joint venture	(75)	(68)	378	378

The amount due from/(to) a joint venture is unsecured, interest-free and repayable on demand.

Details of the Target Company's in a joint venture at the ended of the Relevant Periods are as follows:

Name of entity	Place of incorporation and principal place of operation	Proportion of ownership interest and voting rights held by the Company	Principal activities
Scenario-Projexasia Joint Venture ("**SPJV**")	Hong Kong	50%	Provision of design and construction services

Summarised financial information of a joint venture

Summarised financial information in respect of each of the Target Company's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	78,626	74,412	17,454	15,694
Current liabilities	75,177	69,078	14,454	12,646
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	70,223	45,507	1,525	1,149
Current financial liabilities (excluding trade and other payables)	66,117	39,903	507	507

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenues	58,547	278,737	165,214	77,569	5,952
Profit for the year/period	449	1,885	1,272	629	48
Other comprehensive income for the year/period	–	–	–	–	–
Total comprehensive income for the year/period	449	1,885	1,271	629	48
Dividends received during the year/period	–	–	1,803	1,803	–

The above profit for the year/period includes the following:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Income tax expense	19	138	99	41	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in SPJV recognised in the financial statements:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets of SPJV	3,449	5,334	3,000	3,048
Proportion of the Target Company's ownership interest in SPJV	50%	50%	50%	50%
Carrying amounts of the Target Company's interest in SPJV	1,725	2,668	1,500	1,524

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments in life insurance policies	5,403	5,607	10,026	10,246

In August 2016, the Target Company had entered into a life insurance policy with an insurance company to insure Mr. Grant Stephen John, a director of the Company. Under the policy, the beneficiary and the policy holder are the Target Company and the total insured sum is US$1,000,000 (equivalent to approximately HK$7,800,000). The Target Company was required to pay a one-off premium payment of US$304,500 (equivalent to approximately HK$2,375,000). The Target Company can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("**Cash Value**"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the Target Company an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

In January 2017, the Target Company had entered into another life insurance policy with an insurance company to insure Mr. Grant Stephen John, a director of the Company. Under the policy, the beneficiary and the policy holder are the Target Company and the total insured sum is US$1,500,000 (equivalent to approximately HK$11,700,000). The Target Company was required to pay a one-off premium payment of US$520,203 (equivalent to approximately HK$4,000,000). The Target Company can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("**Cash Value**"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the Target Company an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

In September 2020, the Target Company had entered into another life insurance policy with an insurance company to insure Mr. Grant Stephen John, a director of the Company. Under the policy, the beneficiary and the policy holder are the Target Company and the total insured sum is US$1,200,000 (equivalent to approximately HK$9,360,000). The Target Company was required to pay a one-off premium payment of US$651,685 (equivalent to approximately HK$5,076,000). The Target Company can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("**Cash Value**"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the Target Company an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

The investment in life insurance policies is denominated in US$ and the fair value is determined by reference to the Cash Value as provided by the insurance company.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the life insurance policies were pledged to a bank to secure banking facilities granted to the Target Company.

17. TRADE RECEIVABLES

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	19,194	8,063	1,463	1,046

The credit terms given to each individual customer of construction and buildings work were in accordance with the payment terms stipulated in the relevant tenders or contracts. The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	16,907	3,863	1,055	622
31 – 60 days	1,151	2,980	97	424
61 – 90 days	119	100	–	–
Over 90 days	1,017	1,120	311	–
	19,194	8,063	1,463	1,046

The Target Company has a policy for allowance of impairment losses which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer. The Target Company applies simplified approach to provide for ECL prescribed by HKFRS 9. The Target Company assessed the ECL for trade receivables individually as at 31 December 2018, 2019, 2020 and 31 May 2021.

No impairment allowance for trade receivables was provided since the loss given default and exposure at default are low based on historical credit loss experience and the management of the Target Company assessed that the ECL on the balances is insignificant. The management of Target Company has also assessed all available forward-looking information, including but not limited to expected growth rate of the industry and expected subsequent settlements, and concluded that there is no significant increase in credit risk.

The Target Company does not hold any collateral over its trade receivable balances as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021.

Due to the short-term nature of the trade receivables, their carrying amount are considered to be the same as their fair value.

Details of impairment assessment for the year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 are set out in note 32.

18. CONTRACT ASSETS

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets relating to				
– Uncertified work in progress	17,488	7,105	7,163	7,143
– Retention receivables	3,532	2,431	3,911	2,085
	21,020	9,536	11,074	9,228

Contract assets represent the Target Company's rights to considerations from customers for the provision of construction services, which arise when: (i) the Target Company completed the relevant services under such contracts but the works are yet to be certified by architects, surveyors or other representatives appointed by the customers; or (ii) the customers withhold certain certified amounts payable to the Target Company as retention money to secure the due performance of the contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The Target Company does not hold any collateral as security. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is certified by architects, surveyors or other representatives appointed by the customers and becomes unconditional other than passage of time. The change in contract assets is related to the work in progress performed by the Target Company but is yet to be certified and the release status of retention monies throughout the year.

In the statements of financial position, contract assets relating to retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables, based on the date of certification, are as follows:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	3,532	–	3,911	–
Between 1 and 2 years	–	2,431	–	2,085
Over 2 years	–	–	–	–
	3,532	2,431	3,911	2,085

As at 31 May 2021, management expects that approximately HK$1,832,000, will be received within one year.

Details of the impairment assessment of contract assets are set out in note 32.

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	243,364	118,155	109,381	39,179

19. DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	6	3	16	82
Deposits	1,023	1,362	973	822
	1,029	1,365	989	904
Analysed for reporting purpose as:				
Non-current assets	453	359	363	310
Current assets	576	1,006	626	594
	1,029	1,365	989	904

The carrying amounts of deposits approximate their fair values.

Details of impairment assessment of deposits as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 are set out in note 32.

20. BANK BALANCES AND CASH

The bank balances carry interest at variable rate with an average interest rate of 0.021%, 0.227%, 0.018%, and 0.045% per annum, as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

21. TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period for trade purchases generally ranged from 15 days to 60 days.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	8,764	8,610	2,618	1,879
Retention payables	3,000	5,122	1,500	1,500
	11,764	13,732	4,118	3,379

At the end of reporting period, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 30 days	655	2,609	1,438	765
31 – 90 days	6,806	1,054	1,057	939
91 – 180 days	1,153	4,108	35	85
Over 180 days	150	839	88	90
	8,764	8,610	2,618	1,879

The carrying amounts of trade payables approximate their fair values.

22. CONTRACT LIABILITIES

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to customers of services for construction and building work				
Analysed as current	32,820	5,474	4,324	2,690

Contract liabilities which are expected to be settled within the Target Company's normal operating cycle, are classified as current.

Revenue from construction and buildings work during the year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 that was included in the contract liabilities at the beginning of the year amounted to HK$1,645,000, HK$31,479,000, HK$5,301,000 and HK$4,112,000 respectively.

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	251	189	192	118
Other payables	–	–	–	129
	251	189	192	247

The carrying amounts of accruals and other payables approximate their fair values.

24. LEASE LIABILITIES

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities payable:				
Within one year	795	1,504	911	1,380
Within a period of more than one year but not more than two years	–	911	–	1,520
	795	2,415	911	2,900
Less: amounts due for settlement within one year shown under current liabilities	(795)	(1,504)	(911)	(1,380)
Amounts due for settlement after one year shown under non-current liabilities	–	911	–	1,520

25. BANK BORROWINGS

At the end of each reporting period, the details of the bank borrowings of the Target Company are as follows:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings - secured	19,800	14,497	24,029	14,874

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts of bank borrowings that contain a repayment on demand clause (show under current liabilities) but repayable:				
Within one year	18,984	9,814	16,680	4,374
Within a period of more than one year but more exceeding two years	132	277	802	5,384
Within a period of more than two years but not exceeding five years	684	4,406	5,845	4,041
Within a period of more than five years	–	–	702	1,075
Amount shown under current liabilities	19,800	14,497	24,029	14,874

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2018, 2019, 2020 and 31 May 2021, fixed rate bank borrowings carry interests ranging from 3.5% to 5.13%, 3.8% to 4.82%, 3.8% to 4.8% and 3.8% to 4.8% per annum, respectively.

At 31 December 2018, 2019, 2020 and 31 May 2021, variable-rate Hong Kong Dollars denominated bank borrowings carry interests at HIBOR plus 1% to 2.75%, HIBOR plus 1% to 2.75%, HIBOR plus 1% to 2.55% and HIBOR plus 1% to 2.55% respectively.

The Target Company regularly monitors its compliance with these covenants and has made payments according to the schedule of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Target Company continues to meet these requirements. Further details of the Target Company's management of liquidity risk are set out in note 34 to the financial statements. As at 31 December 2018, 2019 and 2020 and 31 March 2021, none of the covenants relating to drawn down facilities had been breached.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Company's bank borrowings are secured over life insurance policies of Mr. Stephen John Grant. The borrowings are also guaranteed by the director.

Included in bank borrowings are the following amounts denominated in currency other than the functional currency of the Target Company:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("**USD**")	1,049	816	4,152	3,807

26. DEFERRED LIABILITIES

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities	28	22	22	22

Movements in deferred tax liabilities recognised by the Target Company during the Relevant Periods are as follows:

	Accelerated tax depreciation
	HK$'000
As at 1 January 2018	4
Charge to profit or loss *(note 9)*	24
As at 31 December 2018	28
(Credit) to profit or loss *(note 9)*	(6)
As at 31 December 2019, 31 December 2020 and 31 May 2021	22

During the years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company has unused tax losses of HK$1,411,000, HK$2,029,000. HK$7,780,000 and HK$10,650,000, respectively available for offset against profits. No deferred tax asset has been recognised in respect of the tax losses of HK$1,411,000 as at 31 December 2018, HK$2,029,000 as at 31 December 2019, HK$7,780,000 as at 31 December 2020 and HK$10,650,000 as at 31 May 2021 due to unpredictability of future profit streams. Included in unused tax losses of HK$1,411,000 as at 31 December 2018, HK$2,029,000 as at 31 December 2019, HK$7,780,000 as at 31 December 2020 and HK$10,650,000 as at 31 May 2021 may be carried forward indefinitely.

27. SHARE CAPITAL OF THE TARGET COMPANY

The share capital as at 31 December 2018, 2019 and 2020 and 31 May 2021 represented the share capital of the Target Company:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Target Company	4,200	4,200	4,200	4,200

Details of movements of authorised and issued paid-up share capital of the Target Company are as follows:

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021	4,200,000	4,200
Issued and fully paid:		
At 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021	4,200,000	4,200

28. PLEDGE OF ASSETS

As at 31 December 2018, 2019, 2020 and 31 May 2021, the Target Company pledged the investments in life insurance policies of approximately HK$5,403,000, HK$5,607,000, HK$10,026,000 and HK$10,246,000, respectively, to secure certain credit facilities granted to the Target Company.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Target Company's statements of cash flows from financing activities.

For the year ended 31 December 2018

	Bank borrowings	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	19,045	2,110	8,155
Financing cash flows	(620)	(1,385)	(2,005)
Non-cash transactions:			
Finance cost recognised	1,375	70	1,445
At 31 December 2018	19,800	795	20,595

For the year ended 31 December 2019

	Bank borrowings	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2018 and 1 January 2019	19,800	795	20,595
Financing cash flows	(6,611)	(1,489)	(8,100)
Non-cash transactions:			
Finance cost	1,308	67	1,375
New lease entered or modified	–	3,042	3,042
At 31 December 2019	14,497	2,415	16,912

For the year ended 31 December 2020

	Bank borrowings	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2019 and 1 January 2020	14,497	2,415	16,912
Financing cash flows	8,756	(1,368)	7,388
Non-cash transactions:			
Finance cost	776	82	858
New lease entered or modified	–	(218)	(218)
At 31 December 2020	24,029	911	24,940

For the period ended 31 May 2021

	Bank borrowings *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 31 December 2020 and 1 January 2021	24,029	911	24,940
Financing cash flows	(9,408)	(693)	(10,101)
Non-cash transactions:			
Finance cost	253	13	266
New lease entered or modified	–	2,669	2,669
At 31 May 2021	14,874	2,900	17,774

For the period ended 31 May 2020 (Unaudited)

	Bank borrowings *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 31 December 2019 and 1 January 2020	14,497	2,415	16,912
Financing cash flows	10,999	(661)	10,417
Non-cash transactions:			
Finance cost	330	43	373
At 31 May 2020	25,826	1,797	27,623

30. RELATED PARTY DISCLOSURES

(a) Related party balances

	As at 31 December			As at 31 May
	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*
Amounts due from related companies:				
Projexasia (Macau) Limited	53	64	75	94
Projects Asia Limited	34	39	39	50
	87	103	114	144
Amount due to the shareholder:				
Mr. Grant Stephen John	–	–	–	304

The Target Company's non-trade amounts due from related companies as at 31 December 2018, 2019 and 2020 and 31 May 2021 are unsecured, interest-free and repayable on demand. The carrying amounts approximates their fair value and are denominated in HK$.

As represented by the director of the Company, the amounts due from related companies as at 31 May 2021 would be fully settled within 90 days upon completion of the Acquisition.

The Target Company's amount due to the shareholder as at 31 May 2021 is unsecured, interest-free and repayable on demand. The carrying amounts approximates their fair value and are denominated in HK$.

Amount due to the director of the Target Company would be fully settled upon completion of the Acquisition.

(b) Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the Target Company has the following significant transactions with a related party during the Relevant Periods:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* (unaudited)	*HK\$'000*
Construction management services income from a joint venture	13,749	19,887	12,554	7,595	–

(c) Compensation of key management personnel

The remuneration of the director during the year/period was disclosed in note 11 to the Historical Financial Information.

31. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that entities in the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes trade payables, amount due to a joint venture, amount due to the shareholder, accruals and other payables and borrowings of the Target Company, net of cash and cash equivalents, and share capital and reserves.

The management of the Target Company reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Finance assets:				
FVTPL	5,403	5,607	10,026	10,246
Amortised cost	64,026	33,636	25,947	11,784
	69,429	39,243	35,973	22,030
Finance liabilities:				
Amortised cost	32,610	30,833	29,250	21,704

b. Financial risk management objectives and policies

The Target Company's financial instruments include financial assets at fair value through profit or loss, trade receivables, contract assets deposits, amounts due from related companies, amount due from/(to) a joint venture, time deposit, cash and cash equivalents, trade payables, other payables and accruals, lease liabilities, contract liabilities, amount due to the shareholder and bank borrowings of the Target Company. Details of these financial instruments are disclosed in respective notes.

The management of the Target Company monitors and manages the financial risks relating to the operations of the Target Company through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Company's exposure to currency risk arises primarily from its financial assets at FVTPL and borrowings denominated in United States dollar ("**US$**"). As the rate of exchange between HK$ and US$ is controlled within a tight range, the directors of the Target Company consider the exposure to foreign currency risk is insignificant.

(ii) Interest rate risk

The Target Company holds interest bearing assets including cash at bank and certain bank deposits. Majority of these balances are at fixed rates and expose the Target Company to fair value interest rate risk. As any reasonable changes in interest rate would not result in a significant change in the Target Company's results, no sensitivity analysis is presented for interest rate risk arising from the Target Company's interest bearing assets.

The Target Company's interest rate risk mainly arises from its borrowings. Borrowings at variable rates expose the Target Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Target Company to fair value interest rate risk. The Target Company has not used any interest rate swaps to hedge its exposure to interest rate risk. The Target Company analyses its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any refinancing, renewal of existing positions and alternative financing transactions.

If interest rates had been 100 basis points higher/lower for variable bank borrowings and all other variables were held constant, the Target Company's post tax profit/(loss) for the year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 would have decreased/increased by approximately HK$101,000, HK$66,800, HK$78,000 and HK$33,000, respectively.

Credit risk and impairment assessment

The Target Company's credit risk is primarily attributable to trade receivables, contract assets deposits, amounts due from related parties, amount due from a joint venture and bank balances. The Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge the obligations by counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position at the end of each reporting period. The Target Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Bank balances

The credit risk for bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks. The Target Company performs impairment assessment on the bank balances under 12-month ECL model. The director of the Target Company considers the risk of default is regard as low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company assessed that the ECL for bank balances were insignificant.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

The Target Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to uncertified work in progress and retention receivables, which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Target Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Target Company has performed historical analysis based on the background, credit quality and reputation of the customers, historical settlement records, past experience and adjusted for the factors that are specific to the customers and general economic condition.

The Management of the Target Company assessed that the expected credit loss rate and loss allowances for these balances to be insignificant as at 31 December 2018, 2019, 2020 and 31 May 2021.

Deposits

For deposits, the management makes periodic individual assessment on the recoverability of deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Target Company provided impairment based on 12m ECL. For the year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company assessed the ECL for deposits are insignificant and thus no loss allowance is recognised.

Amount due from a joint venture/amounts due from related companies

The Target Company regularly monitors the business performance of a joint venture and related companies. The Target Company's credit risks in the balances are mitigated through the value of the assets held by the entity and the power to participate or jointly control the relevant activities of the entity. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Target Company provided impairment based on 12m ECL. For the year ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company assessed the ECL for amount due from a joint venture and amounts due from related companies are insignificant and thus no loss allowance is recognised.

The Target Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit- impaired	Lifetime ECL – credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Company has no realistic prospect of recovery	Amount is written off	Amount is written off

Liquidity risk

Liquidity risk is the risk that a entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Ultimate responsibility for liquidity risk management rests with the director of the Target Company, which has built an appropriate liquidity risk management framework for the management of the Target Company's short, medium and long-term funding and liquidity management requirements. The Target Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the Target Company's current liabilities exceeded its current assets by HK$1,282,000, HK$1,540,000, HK$7,912,000 and HK$11,256,000, respectively. The director is of the opinion that, taking into account the anticipated cash flows generated from operations, the Target Company have sufficient working capital to fulfil its financial obligations when they fall due in the coming twelve months from 31 December 2018, 2019, 2020 and 31 May 2021. Accordingly, the financial statements have been prepared on a going concern basis.

The following tables detail the Target Company's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay.

	Weighted average effective interest rate	**On Demand or within 3 months**	**3 months to 1 year**	**1 – 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
As at 31 December 2018						
Non-derivative financial liabilities						
Trade payables	N/A	11,764	–	–	11,764	11,764
Accruals and other payables	N/A	251	–	–	251	251
Bank borrowings	4.82%	15,089	4,017	793	19,899	19,800
Amount due to a joint venture	N/A	75	–	–	75	75
		27,179	4,017	793	31,989	31,890
Lease liabilities	4.73%	346	462	–	808	795
As at 31 December 2019						
Non-derivative financial liabilities						
Trade payables	N/A	13,732	–	–	13,732	13,732
Accruals and other payables	N/A	189	–	–	189	189
Bank borrowings	4.75%	14,918	122	97	15,137	14,497
Amount due to a joint venture	N/A	68	–	–	68	68
		28,907	122	97	29,126	28,486
Lease liabilities	4.73%	397	1,190	925	2,512	2,415

	Weighted average effective interest rate	On Demand or within 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
As at 31 December 2020						
Non-derivative financial liabilities						
Trade payables	N/A	4,118	–	–	4,118	4,118
Accruals and other payables	N/A	192	–	–	192	192
Bank borrowings	4.51%	15,853	1,144	7,625	24,622	24,029
		20,163	1,144	7,625	28,932	28,339
Lease liabilities	4.43%	397	528	–	925	911
As at 31 May 2021						
Non-derivative financial liabilities						
Trade payables	N/A	3,379	–	–	3,379	3,379
Accruals and other payables	N/A	247	–	–	247	247
Bank borrowings	4.55%	7,860	479	7,054	15,393	14,874
Amount due to the shareholder	N/A	304	–	–	304	304
		11,790	479	7,054	19,323	18,804
Lease liabilities	4.40%	385	1,081	1,562	3,028	2,900

c. **Fair value measurement of financial instruments**

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

Financial assets at FVTPL of the Target Company are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of financial assets at FVTPL are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018				
Financial assets at FVTPL:				
Investment in life insurance policies	–	5,403	–	5,403

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019				
Financial assets at FVTPL:				
Investment in life insurance policies	–	5,607	–	5,607

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020				
Financial assets at FVTPL:				
Investment in life insurance policies	–	10,026	–	10,026

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 May 2021				
Financial assets at FVTPL:				
Investment in life insurance policies	–	10,246	–	10,246

During the year/period ended 31 December 2018, 2019 and 2020 and 31 May 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of investment in life insurance policies is determined by reference to the Cash Value as provided by the insurance company.

33. SUBSEQUENT EVENTS

On 19 October 2021, Mr. Grant Stephen John, the Shareholder of the Target Company has transferred to its entire shares to Precise Capital Global Limited. Upon the completion of the transaction, Precise Capital Global Limited has become the immediate holding company of the Target Company.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 May 2021. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 31 May 2021.

The Target Company has no material assets and business operations save for its equity interest in Projexasia, as such the management discussion and analysis of the Target Group focuses on Projexasia.

Set out below is the management discussion and analysis of Projexasia for each of the years ended 31 December 2018 ("**FY 2018**"), 31 December 2019 ("**FY 2019**") and the 31 December 2020 ("**FY 2020**") and the five months ended 31 May 2020 ("**PE 2020**") and 31 May 2021 ("**PE 2021**") (together the "**Relevant Period**"). The financial information is based on the audited financial information as set out in Appendix II to the circular.

BUSINESS OVERVIEW

The Target Company was incorporated on 23 August 2021. It does not carry on any business other than holding the entire equity interest in Projexasia.

Projexasia is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of RMAA works and new construction works.

The Joint Venture is an unincorporated joint venture and is owned as to 50% by Projexasia and 50% by Scenario Cockram, respectively. It is principally engaged in the preparation and submission of tender and execution and completion of the works in accordance with the any contract awarded to the Joint Venture by a theme park operator based in Hong Kong that the Hong Kong Government has interests in, as a result of submission of such tender and the Joint Venture Agreement.

FINANCIAL OVERVIEW

Revenue

Projexasia's revenue for FY 2018, FY 2019 and FY 2020 was approximately HK$157.7 million, HK$150.4 million and HK$116.6 million, respectively. Projexasia's revenue decreased by approximately HK$7.3 million when comparing FY 2019 to FY 2018, which was mainly due to the increase in resources contributed by Projexasia on the project of the Joint Venture, as indicated by the increase in share of results of the Joint Venture details of which are illustrated in the paragraph headed "Share of Results of the Joint Venture" below. Projexasia's revenue decreased from approximately HK$150.4 million for FY 2019 to approximately HK$116.67 million for FY 2020, representing a decrease of approximately HK$33.6 million. For PE 2020 and PE 2021, Projexasia's revenue decreased from approximately HK$35.3 million in PE 2020 to approximately HK$14.7 million in PE 2021. Such decrease for both periods were mainly due to the decrease in contract sum of the works projects undertaken by Projexasia as a result of the overall development in the construction industry in Hong Kong and also the delays in schedules of ongoing projects caused by the outbreak of novel coronavirus ("**COVID-19**").

The outbreak of COVID-19 and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the economy. While it would be difficult to gauge the longer term impact of such events as the COVID-19 situation is dynamically evolving, Projexasia has been proactive in closely monitoring market conditions and taking appropriate measures to respond to any challenges. During FY 2020 and PE 2021, Projexasia suffered temporary suspension of some contracted construction works as a result of the COVID-19 epidemic, which led to delays in schedule of on going projects of Projexasia and a decrease in the amount of work recognised by Projexasia during FY 2020 and PE 2021. Despite most of the works of on going projects of Projexasia having since been resumed, Projexasia had to incur extra cost in order to catch up delayed schedules. The contract awarding process was also affected by the precautionary measures implemented by the Hong Kong Government due to the COVID-19 epidemic which caused delays with arrangements of site visits and physical meetings with potential clients.

Cost of Sales

Projexasia's cost of sales for FY 2018, FY 2019 and FY 2020 were approximately HK$142.6 million, HK$137.8 million and HK$108.5 million, respectively. Projexasia's cost of sales decreased by approximately HK$4.8 million and HK$29.3 million when comparing FY 2019 to FY 2018 and FY 2020 to FY 2019, respectively. For PE 2020 and PE 2021, Projexasia's cost of sales decreased by HK$20.1 million from HK$32.2 million to HK$12.1 million. The decrease for both periods were mainly attributable to the decrease in the subcontracting charges and staff cost incurred which were in line with the revenue decrease during both years.

Gross Profit and Gross Profit Margin

Gross profit of Projexasia for FY 2018, FY 2019 and FY 2020 was approximately HK$14.4 million, approximately HK$12.5 million, and approximately HK$8.0 million, respectively. Projexasia's gross profit margin decreased mildly by 0.8% from 9.2% to 8.4% for FY 2019, which was mainly due to the generally lower gross profit margin of the projects undertaken by Projexasia during FY 2019. Projexasia's gross profit decreased by approximately 1.5% from approximately 8.4% to 6.9% for FY2020 as compared to FY 2019, which was primarily attributable to the extent of decrease in revenue outweighed by the decrease in subcontracting charges, staff salary and construction material costs for FY 2020. For PE 2020 and PE 2021, although Projexasia's gross profit decreased by approximately HK$1.2 million, which was in line with the decrease in revenue, Projexasia's gross profit margin increased by approximately 4.5%. This was mainly due to the cost control measures put in place by Projexasia, including the trimming down of the number of staff in light of the COVID-19 epidemic and securing more projects with higher profit margin.

Administrative Expenses

Projexasia's administrative expenses primarily consist of staff costs, depreciation, rental expense, building management fee, professional service and other cost incurred for daily operations. Projexasia's administrative expenses were approximately HK$14.9 million, HK$11.8 million and HK$11.3 million for FY 2018, FY 2019 and FY 2020, respectively. For PE 2020 and PE 2021, Projexasia's administrative expenses were approximately HK$7.3 million and approximately HK$4.5 million respectively. The significant decrease for FY 2019 was mainly attributable to the decrease in directors' remuneration, while the decrease in PE 2021 was mainly attributable to the decrease in staff cost.

Other Income and Other Losses

Projexasia's other income mainly consists of interest income, government subsidies, rental concession and sundry income. The significant increase in Projexasia's other income FY 2020 was mainly contributed by the HK$2.5 million Anti-epidemic Fund provided by the Hong Kong Government to assist in facing the challenges brought by the COVID-19 epidemic. Other losses solely represent written-off trade receivables during respective years.

The other losses of approximately HK$1.97 million recorded for FY 2020 was derived from a one-off write off of a trade receivable in relation to a renovation project for a customer. The customer was put into creditors' voluntary liquidation in 2018 and the irrecoverable amount was ascertained during 2020, therefore the amount was written-off for FY 2020.

Share of Results of the Joint Venture

The Joint Venture is solely operating a project for a theme park operator based in Hong Kong that the Hong Kong Government has interests in. The original contract sum for the project was approximately HK$383.7 million, and the revenue recognised from FY 2018 to PE 2021 by the Joint Venture was approximately HK$468.4 million including additional revenue recognised from variation orders. Projexasia's share of results of the Joint Venture increased from approximately HK$225,000 in FY 2018 by approximately HK$718,000 to HK$943,000 in FY 2019. However, due to the outbreak of COVID-19 in FY 2020, the project was forced to be partially suspended as the customer prohibited or limited access to the employees of the Joint Venture as well as the subcontractors from carrying out onsite work. The delay of the projects led to the significant decrease in recognised revenue and extra cost was incurred by the Joint Venture which resulted in Projexasia's decreased share of profit of the Joint Venture for FY 2020, PE 2020 and PE 2021.

Finance Costs

Finance costs for Projexasia mainly represent interest expenses incurred for the bank borrowings. Projexasia incurred finance cost of approximately HK$1.4 million, HK$1.3 million and HK$0.8 million for FY 2018, FY 2019 and FY 2020, respectively. The decreasing trend of finance costs across the Relevant Period were due to decreased usage of bank borrowings for settlement of trade payables. There was no material movement on Projexasia's finance costs for PE 2020 and PE 2021.

Income Tax (Expense)/Credit

Income tax expense for Projexasia was HK$24,000 for FY 2018 and income tax credit was HK$6,000 for YE 2019. Projexasia recorded no income tax expense for FY 2020, PE 2020 and PE 2021 as Projexasia recorded a loss before tax for the respective periods.

Profit/(Loss) and Total Comprehensive Income/(Expense) for the Year

As a result of foregoing, Projexasia recognised a profit and total comprehensive income for FY 2019 of approximately HK$525,000, and loss and total comprehensive expense for FY 2018, FY 2020, PE 2020 and PE 2021 of approximately HK$1.0 million, HK$3.3 million, HK$3.8 million and HK$2.6 million, respectively.

The loss recorded for the FY 2018 is primarily due to excessive labour costs as Projexasia had several direct labourers on pay roll that were significantly less cost-effective than subcontracting labourers to meet the labour requirements of tendered projects. Direct labourers resulted in significant employee expenses related to ongoing retirement contributions, insurance premiums and costs arising from labourers injuries. In order to address the aforementioned issue, Projexasia reduced its direct labourers as evidenced by the significant drop in administrative expenses for the FY 2019 which contributed to Projexasia recovering from its loss making position during the FY 2019.

The loss recorded for the FY 2020 was primarily attributable to the severe quarantine and lockdown procedures implemented by the Hong Kong Government in response to the COVID-19 outbreak. Such policies and measures resulted in temporary suspensions of ongoing projects and delayed negotiations of new projects. The COVID-19 outbreak also caused significant disruption to the local and international logistics infrastructure resulting in shipment delays and fluctuating prices of construction materials.

LIQUIDITY AND FINANCIAL RESOURCES

Projexasia's current ratio as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 was approximately 0.98 times, 0.96 times, 0.80 times and 0.56 times, respectively.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, Projexasia had bank borrowings of approximately HK$19.8 million, HK$14.4 million, HK$24.0 million and HK$14.8 million, respectively. Projexasia's gearing ratio, calculated based on total borrowings divided by total equity at the end of the year/period and multiplied by 100%, as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021 were approximately 138%, 164%, 483% and 627%, respectively. The increasing trend of Projexasia's gearing ratio from FY 2019 to PE 2021 was mainly due to the increase of bank borrowings as well as the loss and total comprehensive expense incurred leading to the decrease in equity. However, with available bank balances and cash and bank credit facilities as at 30 September 2021, Projexasia has sufficient liquidity to maintain its business operation.

TREASURY POLICY

Projexasia has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. Projexasia strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, Projexasia's management closely monitors its liquidity position to ensure that the liquidity structure of Projexasia's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

The capital structure of Projexasia consists of net debts, which includes trade payables, amount due to a joint venture, amount due to the shareholder, accruals and other payables and borrowings of Projexasia, net of cash and cash equivalents, and share capital and reserves. There has been no change in the capital structure of Projexasia since its incorporation and the share capital of Projexasia only comprises of ordinary shares.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, the number of issued shares of Projexasia was 4,200,000.

COMMITMENTS

There were no commitments of Projexasia noted as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021.

SEGMENTAL INFORMATION

Segmental information for Projexasia is disclosed in note 6 to the accountants' report of the Target Company as set out in Appendix II to this circular. There were no material changes in Projexasia's industrial segment for FY 2018, FY 2019, FY 2020, PE 2020 and PE 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the Latest Practicable Date, Projexasia does not have plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY 2018, FY 2019, FY 2020 and PE 2021, Projexasia did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Projexasia did not have any contingent liabilities as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

Projexasia's revenue generating operations are mainly transacted in HK$. The Directors consider the impact of foreign exchange exposure to Projexasia is minimal.

CHARGE OF TARGET COMPANY'S ASSETS

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, Projexasia pledged the Financial Assets to secure short-term bank borrowings and other general banking facilities granted to Projexasia. For details, please refer to note 30 to the accountants' report of the Target Company as set out in Appendix II to this circular.

The net current liabilities position of Projexasia throughout the Relevant Period is due to the aforementioned approximately HK$10.2 million in Financial Assets that can be redeemed to repay the bank facilities of Projexasia as needed. Whilst the Financial Assets are classified as non-current assets, the bank facilities are classified as current liabilities. As at 31 May 2021, due to accounting policies under the Hong Kong Financial Reporting Standard 16 "Leases" in relation to an office lease, Projexasia had lease liabilities of approximately HK$1.38 million classified under current liabilities whereas Projexasia's right-of-use assets are entirely classified under non-current assets. Such lease liabilities do not represent a payment obligation of Projexasia. Taking into account the aforementioned factors, Projexasia's net current liabilities position is primarily due to accounting related policies.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, Projexasia employed a total of 74 employees, 50 employees, 20 employees and 16 employees, respectively. The staff costs, including directors' emoluments, of Projexasia were approximately HK$36.6 million, HK$36.1 million, HK$27.6 million, HK$15.3 million and HK$5.1 million for FY 2018, FY 2019, FY 2020, PE 2020 and PE 2021, respectively. Remuneration is determined by the management of Projexasia with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance, to attract and retain eligible employees to contribute to Projexasia. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Projexasia's performance as well as individual contribution.

Projexasia originally employed direct labourers to meet the labour requirements of tendered projects which resulted in significant employee expenses such as ongoing retirement contributions, insurance premiums and costs arising from labourers injuries. In order to reduce expenses and streamline operations, direct labourers have been steadily phased out of Projexasia across the Relevant Period. Projexaisa's current strategy is to rely on contract labourers over direct labourers. Due to a decrease in the overall number of projects and aggregate contract sums successfully tendered, Projexasia has steadily reduced its overall headcount across the Relevant Period due to decreased workloads and implementation of cost saving measures to mitigate the effects of the COVID-19 outbreak.

I. ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Financial Information**") has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate how the acquisition might have affected the financial position of the Group as at 30 June 2021, had the Acquisition been taken place on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 as extracted from the published interim report of the Group as at 30 June 2021 and the audited statement of financial position of Projexasia Limited ("**Projexasia**"), a direct wholly-owned subsidiary of the Target Company, as at 31 May 2021 as extracted from the accountants' report of the Target Company set out in Appendix II to this Circular, after making pro forma adjustments where appropriate, as if the Acquisition had been completed on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group on the Completion Date. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed on the date indicated herein or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2021	Projexasia as at 31 May 2021	Pro forma adjustment: Reorganisation and set up of Target Company	Pro forma adjustment: Consideration for the acquisition	Pro forma adjustment: Elimination of investment costs	Pro forma adjustment: Reclassification of current account	The Enlarged Group as at 30 June 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)					(Pro forma adjusted)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current assets							
Investment in subsidiary	–	–	–	17,710	(17,710)	–	–
Property, plant and equipment	14,409	44	–	–	–	–	14,453
Right-of-use assets	–	3,045	–	–	–	–	3,045
Interest in a joint venture	–	1,524	–	–	–	–	1,524
Financial assets at fair value through profit or loss	7,579	10,246	–	–	–	–	17,825
Deposits	–	310	–	–	–	–	310
Goodwill	–	–	–	–	15,339	–	15,339
	21,988	15,169	–	17,710	(2,371)	–	52,496
Current assets							
Trade receivables	50,296	1,046	–	–	–	–	51,342
Contract assets	82,896	9,228	–	–	–	–	92,124
Deposits, prepayments and other receivables	6,179	594	–	–	–	–	6,773
Amount due from the Controlling Shareholder	601	–	–*	–	–	–	601
Amounts due from related parties	–	144	–	–	–	–	144
Amount due from a joint venture	–	378	–	–	–	–	378
Tax recoverable	589	62	–	–	–	–	651
Cash and cash equivalents	12,050	166	–	–	–	–	12,216
	152,611	11,618	–	–	–	–	164,229
Current liabilities							
Trade and payables	39,081	3,379	–	–	–	–	42,460
Contract liabilities	3,114	2,690	–	–	–	–	5,804
Amount due to the shareholder	–	304	–	–	–	(304)	–
Accruals, provisions and other payables	12,268	247	–	–	–	304	12,819
Lease liabilities	1,917	1,380	–	–	–	–	3,297
Bank borrowings	38,183	14,874	–	–	–	–	53,057
	94,563	22,874	–	–	–	–	117,437
Net current assets/(liabilities)	58,048	(11,256)	–*	–	–	–	46,792
Total assets less current liabilities	80,036	3,913	–*	17,710	(2,371)	–	99,288

* *Less than HK$1,000*

			Pro forma adjustment				
	The Group as at 30 June 2021	**Projexasia as at 31 May 2021**	**Reorganisation and set up of Target Company**	**Consideration for the acquisition**	**Elimination of investment costs**	**Reclassification of current account**	**The Enlarged Group as at 30 June 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)					(Pro forma
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	adjusted)
Non-current liabilities							
Deferred tax liabilities	96	22	–	–	–	–	118
Lease liabilities	902	1,520	–	–	–	–	2,422
	998	1,542	–	–	–	–	2,540
Net assets	79,038	2,371	–*	17,710	(2,371)	–	96,748
Capital and reserves							
Share capital	8,000	4,200	–*	2,500	(4,200)	–	10,500
Reserves	71,038	(1,829)	–	15,210	1,829	–	86,248
	79,038	2,371	–*	17,710	(2,371)	–	96,748

* *Less than HK$1,000*

Notes:

1. The financial information of the Group is directly extracted from the unaudited condensed statement of financial position as at 30 June 2021 published in the 2021 Interim Report of the Group dated 9 August 2021.

2. The financial information of the Projexasia is extracted from the Accountant's Report of the Projexasia included in Appendix II to this circular.

3. As part of the Reorganisation, the Vendor has set up a new vehicle named Precise Capital Global Limited as the holding company of the Projexasia on 23 August 2021 to hold the entire equity shares of the Projexasia. As such, the Acquisition will be completed in form of a group holding by the Target Company. This adjustment is to reflect the group structure upon completion of the Acquisition.

4. Pursuant to the Agreement, the Group agreed to acquire 100% issued share capital of the Target Company at an aggregate consideration of HK$24,000,000, which will be satisfied by: (1) HK$5,500,000 in cash; and (2) by the issuance of 185,000,000 shares of the Company as Consideration Shares at the issue price of HK$0.1 per consideration share.

   An analysis of the consideration for acquisition in the subsidiary upon completion of the Acquisition is as follows:

	Notes	*HK$'000*
Fair value of the consideration for the Acquisition		
Cash consideration	*(a)*	5,500,000
Consideration shares	*(b)*	12,210,000
Total consideration for acquisition of 100% equity interests in the Target Company		17,710,000
Consideration for acquisition in the Target Company		17,710,000

Notes:

(a) On 19 October 2021, the Company entered into a placing agreement (the "**Placing**") with a placing agent, pursuant to which the placing agent has conditionally agreed to procure, as agent of the Company, not less than six independent placees for subscribe up to 65,000,000 placing shares (the "**Placing Shares**") at the placing price of HK$0.10 per share. The maximum gross proceeds from the Placing are expected to be HK$6,500,000 and the net proceeds from the Placing are expected to be HK$5,500,000 (after deducting related costs and expenses of the Placing and Acquisition). The Company intends to apply the entire net proceeds from the Placing as the cash consideration for the Acquisition. The aggregated nominal amount of the Placing Shares of HK$650,000 will be recorded as share capital and the aggregated amount to be recognised as share premium, being the excess of the net proceeds from the Placing over their nominal amounts is HK$4,850,000.

(b) The Company will issue 185,000,000 shares as Consideration Shares for the Acquisition. For the purpose of the pro forma financial information of the Enlarged Group, the estimated fair value of the Consideration Shares was calculated based on the closing market price of the Company as at 30 June 2021 of HK$0.066 each. The fair value of the Consideration Shares to be issued is subject to the share price of the Company on the actual completion date of the Acquisition, which may be substantially different from the estimated amounts applied in the preparation of this unaudited pro forma financial information.

5. The Acquisition will be accounted for as an acquisition of business in accordance with Hong Kong Financial Reporting Standard 3 – Business Combination issued by the HKICPA at Completion. For illustrative purpose, the goodwill, which represents the excess of fair value as at acquisition date of the total consideration for the Acquisition over the fair value as at the acquisition date of any identifiable assets and liabilities and contingent liabilities of the Target Group, is calculated as follows:

	Notes	*HK'000*
Consideration for acquisition *(note 3)*		17,710,000
Less: Fair value of identifiable assets and liabilities of the Target Group at 31 May 2021	*(a)*	2,371,000
Goodwill on the Acquisition	*(b)*	15,339,000

Notes:

(a) For the purpose of the Unaudited Pro Forma Financial Information, the Directors estimated that the fair value of the identifiable assets and liabilities of the Target Group at 31 May 2021, are approximately to their respective carrying amounts of Projexasia at that date as shown in the Accountant's Report. The Directors have conducted an impairment assessment of the goodwill to be recognised upon Acquisition Completion based on the latest information obtained from the management of the Target Company using a discount cash flow analysis, and concluded that no goodwill impairment indicators were noted.

The Directors will adopt the same key assumptions, accounting principal and valuation method to assess the impairment of the goodwill in the future financial period.

(b) The adjustment reflects the intra-group entries for elimination of investments in the Target Company and Projexasia and their share capital and pre-acquisition reserve. Based on current available financial information without completion of the identification, a goodwill of approximately HK$15,339,000 is to be recognized by the Group. The goodwill is to be initially recognised at cost, an impairment review will be performed at the initial recognition and to be subsequently measured at cost less accumulated impairment loss.

In view of the fair values as at the acquisition date of the Consideration Shares and the identified assets and liabilities and contingent liabilities of the Target Company are yet to be identified and finalised. The actual amount of goodwill can only be determined after the Completion.

6. The adjustment reflects the reallocation of amount due to the shareholder of the Projexasia to other payables and accruals at the Completion.

7. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group, the Target Company and Projexasia subsequent to 30 June 2021.

The following is the text of a report received from the reporting accountant, D & Partners CPA Limited, Certified Public Accountants, Hong Kong, for the inclusion in this Circular, in respect of the unaudited pro forma information of the Enlarged Group as set out this Appendix.

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF TONG KEE (HOLDING) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma information of Tong Kee (Holding) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Projexasia Limited (the "**Target Company**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021, and related notes set out in section I and II of Appendix III of the Company's circular dated 26 November 2021 (the "**Circular**") in connection with the proposed acquisition of 100% of issued share capital of the Target Company by the Company (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in sections I and II of Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been complied by the Directors to illustrative the impact of the Acquisition on the Group's financial position and net assets per share as at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim results for the period ended 30 June 2021.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectively, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. The standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related unaudited pro forma adjustments give appropriate effect to those criteria; and

– the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma Financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong
26 November 2021

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular, received from Royson Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 September 2021 of the entire equity interest in the business enterprise of Treasure Mark Global Limited.

ROYSON

Royson Valuation Advisory Limited
Unit 1503, 15/F, The L. Plaza
367-375 Queen's Road Central
Hong Kong

26 November 2021

Tong Kee (Holding) Limited
Room 2502, 25/F
148 Electric Road
North Point
Hong Kong

Dear Sir or Madam,

RE: VALUATION OF BUSINESS ENTERPRISE

We have been instructed by Tong Kee (Holding) Limited (the "**Company**", together with its subsidiaries as the "**Group**") to perform an appraisal of the entire equity interest in the business enterprise of Treasure Mark Global Limited (the "**Target Company**", together with its subsidiary and its joint venture as the "**Target Group**") as at 30 September 2021 (the "**Appraisal Date**") for transaction purpose and our valuation will be used in connection to a public document to be issued by the Company.

The Company is contemplating to acquire the entire equity interest in the Target Company from Precise Capital Global Limited (the "**Vendor**"). The Target Company is an investment holding company and Projexasia Limited ("**Projexasia**") is its wholly-owned subsidiary. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of repair, maintenance, alteration and addition ("**RMAA**") works and new construction works. As at the Appraisal Date, Projexasia holds a 50% equity interest in Scenario-Projexasia Joint Venture (the "**Joint Venture**"), an unincorporated joint venture.

In this appraisal, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the equity interest in the Target Group is considered to be composed of two parts: 1) the value of Projexasia's principal business and 2) the value of a 50% interest in the Joint Venture. The first part is derived by the application of the Guideline Publicly-traded Comparable Method under the market approach. Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value. Regarding the valuation of the latter part, we are advised that the Joint Venture has completed its project on hand as of the Appraisal Date and is expected to be closed upon final settlement of all accounts between its two joint venturers and between the Joint Venture and third parties within 12 months from the Appraisal Date. Thus, the fair value of the 50% equity interest in the Joint Venture is estimated by the discounted cash flow method under income approach. The indicated fair value of the equity interest in the Target Group is then adjusted upward for control premium and downward for discount for lack of marketability.

I. DESCRIPTION OF THE APPRAISAL

On 19 October 2021, the Company entered into a sale and purchase agreement with the Vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company, at a total consideration of HK$24.0 million.

The objective of this valuation is to provide an independent opinion on the fair value of the entire equity interest in the Target Group as at the Appraisal Date for transaction purpose. We understand the valuation will be used in connection to a public document to be issued by the Company.

The appraisal is conducted in conformity with the generally accepted accounting principles in Hong Kong ("**HKGAAP**") and the International Valuation Standards. These standards contain guideline on the basis and valuation approaches used.

II. BASIS OF VALUE

The valuation is performed based on fair value. As defined in Hong Kong Financial Reporting Standard 13 - *Fair Value Measurement (HKFRS 13)*, fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

III. PREMISE OF VALUE

Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value.

IV. SCOPE OF WORK

This appraisal reflects facts and conditions existing at the Appraisal Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

Our appraisal opinion is based on the assumptions stated herein and on information provided by the management of the Target Group and/or the Group (the "**Management**"). In the course of our valuation, we have conducted the following processes and procedures:

1. Collected and analysed the relevant historical financial statements and other financial and operational information of the Target Group from the Management;

2. Conducted interviews with the Management in relation to the Target Group's history, operations and prospects of its business;

3. Researched the general economic outlook and the outlook for the specific industry affecting the business of the Target Group, its industry and its markets;

4. Examined the reasonableness of the information as well as other records and documents provided by the Management, in light of our research and analysis on the industry and economic data;

5. Determined the most appropriate valuation methods for the valuation;

6. Identified the comparable companies of the Target Group;

7. Reviewed the correspondence between the Joint Venture and its customer in relation to the settlement of final accounts; and

8. Evaluated the business enterprise value of the Target Group based on the assumptions and valuation methods stated in the report.

V. INFORMATION SOURCES

To aid us in our analysis, we have consulted, reviewed and relied on the following key information which is publicly available or provided by the Management:

1. Financial database empowered by Bloomberg;

2. Relevant economic data;

3. Unaudited and/or audited historical financial and operational information of the Target Group for the three years ended 31 December 2020 and the period from 1 January 2021 to 31 May 2021;

4. Correspondence between the Joint Venture and its customer in relation to the settlement of final accounts; and

5. Discussions with the Management.

VI. LIMITING CONDITIONS

This appraisal relies upon the following contingent and limiting conditions:

1. Public, industry, statistical, and other information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

2. The Company and its representatives warranted to us that the information they supplied is complete and accurate to the best of their knowledge and that the financial statement information reflects the results of operations and financial and business condition of the Target Group in accordance with generally accepted accounting principles, unless otherwise noted. The financial statements and other related information supplied by management has been accepted as correct without further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information. We also have no reason to believe that any material facts have been withheld from us.

3. This report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document to be prepared or distributed to third parties may be made without our written consent and approval.

4. The opinion of value is valid only for the stated purpose as of the valuation date indicated. We take no responsibility for changes in market conditions and assume no obligation to revise our conclusion of value to reflect events or conditions which occur subsequent to the valuation date.

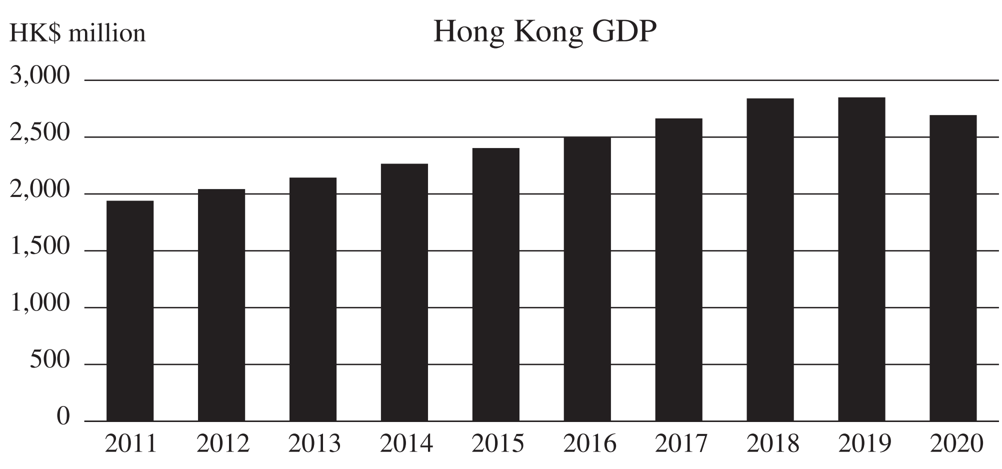
5. For the prospective financial information approved by management that is used in our engagement, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

6. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information. Any variation to the assumptions in the valuation could seriously affect our opinion of value.

VII. INDUSTRY OVERVIEW

Hong Kong GDP

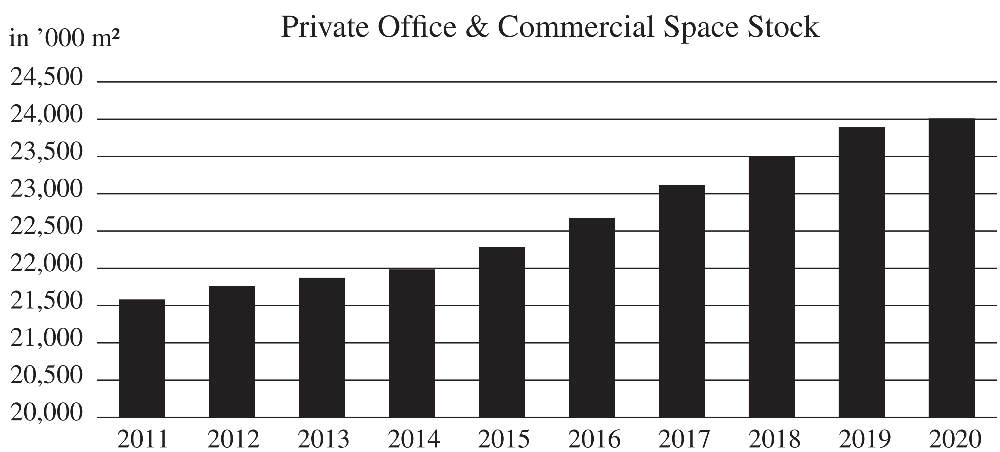
The Hong Kong economy has been growing steadily between 2011 and 2018, with the gross domestic product (GDP) increasing from HK$1,934 million to HK$2,835 million in 2018, with a compound average growth rate (the "CAGR") of 5.6% during the period. However, the growth was temporarily halted by the local events in 2019 and the disruption to the global economy by COVID-19 in 2020 which brought about a 5.5% contraction in 2020. For the 1st two quarters in 2021, the Hong Kong economy began recovery with 7.1% and 7.3% improvement compared to the same periods in 2020.



Source: Census and Statistics Department, Hong Kong

Private Office and Commercial Space Stock in Hong Kong

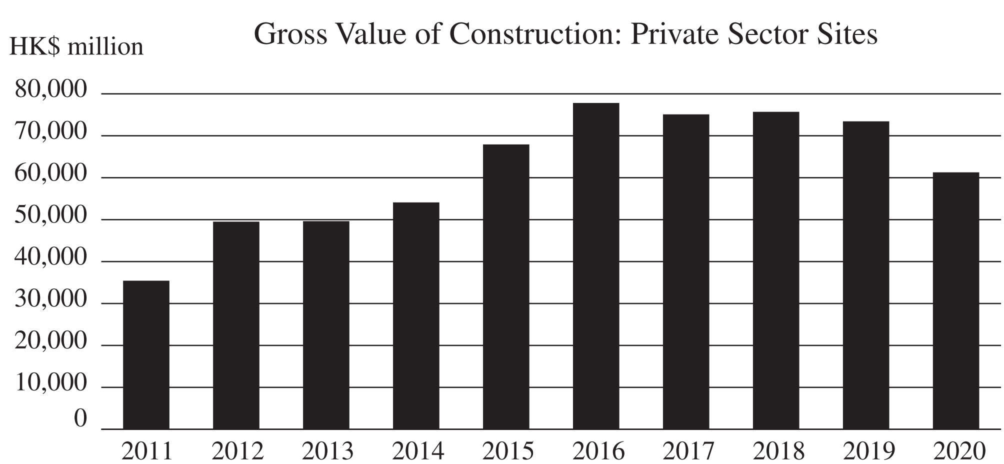
The availability of private office and commercial space has been increasing during 2011 and 2020, increasing from 21,574,000 m² in 2011 to 24,002,000 m² in 2020. As the Target Group provides services to the non-government entities, the increasing stock of office and commercials spaces provides an expanding landscape for the Target Group's operations.



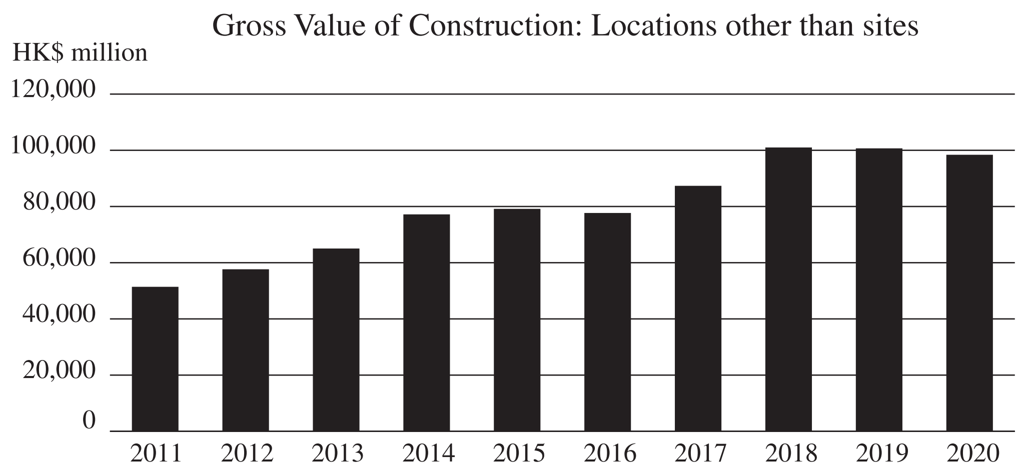
Ratings and Valuation Department, Hong Kong

Gross Value of Construction Works

The Target Group assumes the role of main contractor in RMAA works for non-governmental entities, which include both construction sites, shopping malls and other locations. Between 2011 and 2020, the gross value of construction works performed by main contractors at private construction sites increased from HK$38,252 million to HK$61,123 million (representing a CAGR of 6.3%). While it showed a 16.5% drop in 2020, the construction industry was impacted by the COVID-19 when some construction sites were closed at the height of the pandemic. The drop does not suggest a change in the long-term rising trend of the business volume of the sector.



It is also important to examine the gross value of works at locations other than sites, as the Target Group also carries out works at shopping malls and other locations. Between 2011 and 2020, the gross value of construction works performed by main contractors at locations other than sites increased from HK$51,184 million to HK$98,169 million (representing a CAGR of 7.5%). It was relatively insulated from the impact of COVID-19 as the 2020 value was only 2.2% lower than the previous year.



VIII. INFORMATION ABOUT THE COMPANY

The Company is a listed company on the GEM of The Stock Exchange of Hong Kong (the "**Stock Exchange**") (stock code: 8305). The Company is an investment holding company, and the Group is principally engaged in performing RMAA works, new construction works and corrosion protection works in Hong Kong as multi-disciplinary contractors.

IX. INFORMATION ABOUT THE TARGET GROUP

The Target Company is an investment holding company and its major asset is its investment in Projexasia.

Projexasia is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of RMAA works and new construction works. Projexasia's customers are primarily large commercial non-government entities such as offices, banks, retail brands, hotels and shopping malls. Projexasia has operated for over 20 years in Hong Kong.

As at the Appraisal Date, Projexasia holds a 50% equity interest in the Joint Venture. The results and assets and liabilities of the Joint Venture are incorporated in the Target Company's financial statements using the equity method of accounting.

The Joint Venture is established solely for the tender and execution of a specific construction project (the "**JV Project**").

As advised by the Management, the Joint Venture has completed all the construction work for the JV Project while the only outstanding matters are the issue of final accounts by its customers, debt collection and payment of outstanding costs and expenses. The Joint Venture is expected to be closed after distribution of collected funds as final dividend to its two shareholders.

The following table summarises the key historical financial information of the Target Group:

	For the year ended		**For the five months ended**	
	31-Dec-19	**31-Dec-20**	**31-May-20**	**31-May-21**
	HK$	*HK$*	*HK$*	*HK$*
Revenue	150,473,000	116,627,000	35,324,000	14,007,000
Profit (loss) before tax	519,000	(3,341,000)	(3,804,000)	(2,607,000)
Operating income (loss)*	687,000	(3,257,000)	(4,192,000)	(2,687,000)

* Operating income (loss) represents the subtraction of administrative expenses from gross profit only.

The trailing 12-month revenue as of 31 May 2021 (the "**T12 Revenue**") of the Target Group is calculated as approximately HK$95,310,000. It recorded an operating loss of approximately HK$1,752,000 in the trailing 12-month from 31 May 2021. As at 31 May 2021, the net assets value of the Target Group amounted to approximately HK$2,371,000 while its net debt balance amounted to approximately HK$14,708,000.

X. VALUATION METHODOLOGY

Selection of Valuation Methods

In this valuation, we have considered the three generally recognised valuation approaches, namely the market approach, income approach and cost approach. The approach or approaches deemed most relevant will then be selected for use.

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Third-party transactions in the equity of an enterprise generally represent the best estimate of fair value if they are done at arm's length.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/the business entity. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Valuation Method Adopted

The valuation approach is determined based on professional judgment and technical expertise after detailed analysis on facts and circumstances. Key factors we have considered include, among other criteria, business nature and stage of development of the subject entity, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation.

The fair value of the equity interest in the Target Group is considered to be composed of two parts: 1) the value of Projexasia's principal business and 2) the value of a 50% interest in the Joint Venture.

Valuation of Projexasia's Principal Business

Given the nature and current development stage of the business operations of Projexasia and the availability of market information, it is considered that the Guideline Publicly-traded Comparable Method under the market approach is the most optimal method for this valuation. Both the cost approach and the income approach have been disclaimed and have also not been engaged as secondary approach to cross-check the valuation results derived from the market approach.

Under the cost approach, the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. The value of a service company like Projexasia is more driven by the future earnings to be generated than the value of its assets. It has developed its own brand, its business networks and customer relationship. These are the unidentifiable intangible assets that exist in the business but not capitalised. Therefore, the cost approach has been disclaimed.

For the income approach, the fair value of equity interest can be determined by the discounted cash flow analysis which relies on explicit financial forecasts which require many assumptions, including but not limiting to number of customers, product and service pricing, operating costs and their growth rates over the projection period. Being a project company and due to the impact of COVID-19, it is difficult to form a reliable basis for estimating various projection inputs. In the absence of reliable business projection, the income approach is considered to be not a reliable valuation approach for valuing the equity interest in Projexasia and has been disclaimed.

We have relied primarily on the Guideline Publicly-traded Comparable Method to value the business value of Projexasia because there are some closely comparable publicly traded entities with financial and operating characteristics similar to that of Projexasia can be identified. The market approach is simple to understand and employs more observable and comparable market data.

Valuation of the Joint Venture

The Joint Venture is a project company established with specific terms, there is no market comparable publicly traded entity considered as similar to it. In addition, as advised by the Management, there were unrecognised revenue and costs of services in relation to the JV Project not yet recorded by the Joint Venture as of 31 May 2021. Its book value as at 31 May 2021 has not yet captured all the economic benefits generating from the JV Project. Thus, we consider that the most appropriate valuation method for the Joint Venture is the discounted cash flow analysis under income approach, such that the remaining cash flows from the JV Project can be taken into account.

Guideline Publicly-traded Comparable Method

In the Guideline Publicly-traded Comparable method, the fair value is based on prices at which stocks of similar companies are trading in a public market. A “value measure” is usually a multiple computed by dividing the price of the guideline company’s stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company’s financial statements.

Selection of Comparable Companies

A major requirement in applying the Guideline Publicly-traded Comparable method is to identify companies that are comparable to the subject company in terms of business nature and associated risks. Major selection criteria for this valuation are as follows:

1. Being principally engaged in similar business (i.e., over 90% revenue are generating from the provision of contracting construction services, preferably RMAA works and alteration and addition ("**A&A**") works)

2. Being a main contractor

3. Having a principal geographical segment in Hong Kong

4. Being listed on the Stock Exchange for more than 12 months

5. Being not the Company.

With the aid of the equity screening function in Bloomberg, we have identified a list of 9 companies, the shares of which are listed in Hong Kong as shown below. They are principally engaged in building construction sector as a main contractor for property projects in Hong Kong.

	Company Name	Stock Code/ Year of Listing	Major Service Line	% of revenue from RMAA and/A&A works of total revenue	Market Capitalisation as at the Appraisal Date	Trailing 12 months Revenue
					(HK$ million)	*(HK$ million)*
1.	IBI Group Holdings Limited ("**IBI**")	1547 (2016)	RMAA works	Over 90%	208.0	513.1
2.	Smart City Development Holdings Ltd ("**Smart City**", formerly Deson Construction International Holdings Ltd)	8268 (2015)	A&A works	Over 90%	144.0	607.5
3.	Chi Ho Development Holdings Limited ("**Chi Ho**")	8423 (2017)	Renovation and maintenance works, and A&A works	Over 90%	167.2	281.7
4.	The Company	8305 (2018)	RMAA works and construction works	Over 90%	94.4	178.3

	Company Name	Stock Code/ Year of Listing	Major Service Line	% of revenue from RMAA and/A&A works of total revenue	Market Capitalisation as at the Appraisal Date	Trailing 12 months Revenue
					(HK$ million)	*(HK$ million)*
5.	CR Construction Group Holdings Ltd ("**CR Construction**")	1582 (2019)	Building construction works and RMAA works for whole block buildings	Less than 15%	275.0	4,705.7
6.	Ching Lee Holdings Ltd ("**Ching Lee**")	3728 (2016)	Substructure building works, superstructure building works, and RMAA works	Less than 15%	181.3	908.8
7.	Golden Ponder Holdings Ltd ("**Golden Ponder**")	1783 (2018)	Superstructure building works; and RMAA works	Less than 5%	232.0	210.7
8.	Super Strong Holdings Ltd ("**Super Strong**")	8262 (2016)	General building works (building projects of residential and commercial buildings, and projects of alterations and additions, renovation, and fitting-out for existing buildings) and specialist building works (include demolition, foundation and site formation works)	N/A	264.0	138.7
9.	Ri Ying Holdings Ltd ("**Ri Ying**")	1741 (2018)	General building works (include superstructures, alteration and addition works); foundation and site formation works; and Other construction works (include slope works and demolition works)	N/A	1,032.0	223.6

Though RMAA works and A&A works are different in nature, they are both classified as minor works in Hong Kong. Projeaxia's revenue consists of many projects for RMAA works and A&A works, with a few high-value construction projects. IBI, Smart City and Chi Ho have similar product mix as Projeaxia and are selected as the comparable companies.

Though the Company meets our major selection criteria, being the potential acquirer of the Target Group, it is excluded from our final selection of the comparable companies.

CR Construction is mainly engaged in construction works for residential and commercial buildings, hotels, city university, hospital, villa and other buildings. Size and duration of its projects are much larger and longer than those of Projeaxia's projects. Thus, it is not selected as the comparable companies.

The work services provided by Ching Lee, Golden Ponder, Super Strong and Ri Ying are considered as less relevant to that of Projeaxia. They are mainly involved in the provision of substructure building works, superstructure building works, foundation and site formation works and other construction works. Thus, they are rejected as the comparable companies.

Based on the above criteria, we have conducted comprehensive research and came up with below exhaustive list of three comparable companies (the "**Comparable Companies**"). The Comparable Companies are considered as highly but not perfectly comparable with Projexasia in terms of capital structure, operating scale, product mix and business performance metrics. The inclusion of three comparable companies also accommodates the fact of not perfectly comparable business. As such, the below list of comparable companies is considered as fair and representative for the purpose of this valuation. A description of their business operation is summarised below:

Comparable Companies	Stock Code	Description
1. IBI Group Holdings Limited ("**IBI**")	1547	IBI is a Hongkong-based independent building contractor. The principal activities of the company are to act as a contractor focusing on providing renovation services as a main contractor for property projects. The company's project type includes corporate, leisure and hospitality, food and beverage, retail, education and medical center sectors. Its subsidiaries include IBI Corporate Holdings Limited, IBI Group Limited, IBI Limited, as well as IBI Projects Limited, among others. IBI and its subsidiaries operate in two principal geographical areas, Hong Kong and Macau.

		Due to the impact of COVID-19, IBI recorded lower revenue and net profit for the year ended 31 March 2021 as compared to prior year. Its revenue decreased by 13.2% to approximately of HK$513.1 million. It recorded a net profit of HK$54.1 million which included a profit of HK$43.9 million from investment in listed securities. The gross profit margin of its contracting and building solution business was approximately 7.0%. Over 97.9% of IBI's revenue was contributed by the business segment of contracting.
2. Smart City Development Holdings Ltd ("**Smart City**", formerly Deson Construction International Holdings Ltd)	8268	Smart City is an investment company and its principal businesses are (i) acting as a contractor in the building industry operating in Hong Kong, the People's Republic of China and Macau where it provides one-stop comprehensive services with the following three major types of services: (a) building construction works and related businesses; (b) electrical and mechanical engineering works; and (c) alterations, addition, renovation, refurbishment and fitting-out works; (ii) investment in securities, where Smart City invests in long term and short term investment in marketable securities; (iii) property investment in Hong Kong. Due to the impact of COVID-19, Smart City also recorded lower revenue from its construction business for the year ended 31 March 2021 as compared to last year. Its revenue decreased slightly by 3.2% to approximately of HK$606.1 million. Mainly because of the income from securities investment of approximately HK$10.3 million, Smart City reported a net profit of approximately HK$8.5 million for the year ended 31 March 2021. After excluding the portion generating from the securities investment segment, property investment segment business and money lending business segment, the gross profit margin was approximately 6.1%.

		Despite that over 98.1% revenue came from the construction business segment, the profitability for the year ended 31 March 2021 was mainly derived from the securities investment segment.
3. Chi Ho Development Holdings Limited (“**Chi Ho**”)	8423	Chi Ho is an investment holding company principally engaged in the construction industry in Hong Kong. Together with its subsidiaries, Chi Ho is an established main contractor for the provision of RMAA works and fitting-out works, and site formation in Hong Kong. Chi Ho is responsible for the overall management, implementation and supervision of projects. Chi Ho focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors. Chi Ho had applied to transfer its listing from GEM to the Main Board of the Stock Exchange. However, the application has lapsed and there is no resubmission of application as of the Appraisal Date. Due to the impact of COVID-19, Chi Ho also recorded lower revenue for the year ended 31 March 2021 as compared to prior year. Its revenue decreased by 30.3% to approximately of HK$281.7 million. Because of higher gross profit margin and government subsidy income, its net profit increased by 9.9% to approximately HK$21.4 million. The gross profit margin and net profit margin were approximately 14.0% and approximately 7.6% respectively. All revenue is generated from the provision of the building renovation and construction service to external customers.

Market Multiple

In applying the Guideline Publicly-traded Comparable method, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. Then, we have applied the relevant industry multiples to the subject company to determine a value for the subject company that is on a freely-traded basis.

Three commonly used price multiples are (i) Price-to-earnings ("**P/E**") ratio; (ii) Price-to-revenue ("**P/S**") ratio; and (iii) Price-to-book value ("**P/B**") ratio.

The pre-requisite for the P/E ratio is being profit-making. COVID-19 has led to delays and short suspension of work in construction projects. This adversely affected the overall profitability of the construction sector in Hong Kong in 2020. Projexasia has incurred losses in 2020 and in the first five months ended 31 May 2021. The profitability of the Comparable Companies were also driven from investment income. Thus, the P/E ratio is considered as not appropriate.

Being a service company, Projexasia employees minimal fixed assets to generate its income. It is an asset-light company. Therefore, the P/B ratio is not suitable for this valuation.

Revenue is valuable only if, at some point, it can be translated into earnings. Due to keen market competition, market players are earning similar gross profit margins. Business model and costs structure of a construction management services provider, like Projexasia, are relatively straight-forward. As a service provider, staff costs are the major fixed operating costs. There is a strong linkage between revenue and profitability. Moreover, revenue provides some information about business scale and is less volatile than profitability. As such, the value ratios on revenue are considered as relevant to this valuation. To better provide a more comprehensive picture of the capital structure of Projexasia, we have applied the market value of enterprise value ("**EV**") multiple in this valuation. EV equals to the sum of (1) market capitalisation; (2) value of total debt; and (3) value of preferred equity and non-controlling interest; and then minus (4) cash and bank balances. EV is the value of a company's core business operations that is available to all shareholders (debt, equity, preferred, etc.). EV-to-revenue ("**EV/S**") is an expansion of the P/S valuation, which uses market capitalisation instead of EV. It is perceived to be more accurate than P/S, in part, because the market capitalisation alone does not take a company's debt into account when valuing the company, while EV does.

It is common to adopt the EV/S multiple to value businesses with similar revenue nature. It is also one of the widely adopted methods to appraise the value of businesses which are currently loss-making but with positive prospect of future profitability, like Projexasia.

The following table summarises both the historical and the latest publicly available financial information of the Comparable Companies as at 31 December 2019, 31 December 2020 and the Appraisal Date:

	EV *(Note 1)*			**Revenue**		
	31-12-19	**31-12-20**	**Appraisal Date**	**31-12-19**	**31-12-20**	**Appraisal Date** *(Note 2)*
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Comparable Companies						
IBI	167.1	128.5	120.6	585.1	530.8	513.1
Smart City *(Note 3)*	(10.3)	(59.7)	81.9	595.7	507.6	607.5
Chi Ho	369.4	213.5	174.5	334.3	327.9	281.7

Notes:

1. The market capitalisation was based on the last price as at the respective measurement date and extracted from the Bloomberg terminal.

2. Revenue was extracted from the annual reports and/or interim reports for the corresponding periods of the Comparable Companies.

3. EV becomes negative when the cash balance of the company is greater than the market capitalization and debt structure, signaling that the company can essentially be bought with its own cash.

The following table summarises the calculated EV/S ratios of the Comparable Companies as at 31 December 2019, 31 December 2020 and the Appraisal Date:

	EV/S ratio (times)		
	31-12-19 *(For Ref. only)*	**31-12-20** *(For Ref. only)*	**Appraisal Date**
Comparable Companies			
IBI	0.29	0.24	0.23
Smart City*	–	–	0.13
Chi Ho	1.10	0.65	0.62
EV/S ratio of Comparable Companies			
Average:	0.70	0.45	0.33
Median:	0.70	0.45	0.23
Average of IBI and Chi Ho only (selected)	–	–	0.43

* Negative EV/S ratio is excluded in our analysis.

During the year ended 31 March 2021, IBI and Smart City were also engaged in securities investment in listed equity investments and unlisted debt investments. For the financial year ended 31 March 2021, due to the adverse impact of COVID-19 on the construction sector, over half of their segmental profits were investment income. Nevertheless, it was not the case in the financial year ended 31 March 2020. As such, we consider that IBI and Smart City are still relevant comparable companies in terms of nature of revenue for this valuation while, similar to Projexasia, they were loss-making if excluding the investment income in their latest financial year.

We have further performed analysis on the EV/S ratio of the Comparable Companies as at 31 December 2019 (when there was no outbreak of COVID-19) and 31 December 2020. It is noted that Smart City had negative EV as at 31 December 2019 and 31 December 2020. The EV of Smart City varies widely over time and it may not be consistently applied to provide a representative and meaningful comparison. Therefore, it is considered as an outlier and the EV/S ratio of Smart City as at the Appraisal Date was not adopted in this valuation.

In conclusion, we consider that the average EV/S ratio of IBI and Chi Ho as at the Appraisal Date, of 0.43 is appropriate for this valuation.

The equity value of Projexasia's principal business equals to the product of the selected EV/S ratio and T12 Revenue, minus net debts.

Other than the operating assets and operating liabilities which are related to its principal business, the Target Group has certain non-operating assets on its statement of financial position as at 31 May 2021. Through the Guideline Publicly-traded Comparable method, we have derived the indicated business value from its principal business. Then, we have to add back 1) the fair value of a 50% equity interest in the Joint Venture; 2) the fair value of non-operating assets (including the financial assets at fair value through profit or loss ("**FVTPL**"), amount due from the Joint Venture and amount due from related parties), and then less 3) the fair value of non-operating liabilities (i.e., amount due to the shareholder) in order to arriving at the indicated fair value of the Target Group.

The Guideline Publicly-traded Comparable Method generally yields valuation information at the non-controlling, marketable level of value. The fair value derived from the above is further subject to the adjustments for control premium and discount for lack of marketability in order to derive the fair value of the controlling, non-marketable equity interest in the Target Group.

Control Premium

It is widely recognized that an investment which offers an investor control of a business is worth more than a minority stake. In valuation perspective, a shareholder with majority stake normally owns the control power in a company, and thus, a control premium is generally recognised.

According to the BVR/FactSet Control Premium Study for the first quarter of 2020 published by Business Valuation Resources, LLC, the average control premia was 26.80% while the median was 20.00%. Founded in 1995, Business Valuation Resources, LLC is an investment research firm which offers searchable empirical databases and content, as well as newsletters focusing on business valuation information. They provide market databases and analysis, cost of capital calculations and analyses and proprietary data on private and public company comparables. Their clients include business appraisers, CPAs, M&A professionals, business brokers, lawyers/judges, private equity and venture capital investors, CFOs and others.

The BVR/FactSet Control Premium Study analyses controlling-interest transactions where the target was a publicly-traded company. The sources of the information used include SEC/government/regulatory filings and public announcements for mergers & acquisition transactions.

In this valuation, the sale shares represent the entire equity interest, we consider that a 25.00% control premium, which lies between the average and the median of the BVR/FactSet Control Premium Study for the first quarter of 2020, is appropriate in this valuation.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

Based on our qualitative and quantitative analysis, a 50% discount is suggested for this valuation. It is determined with put option pricing model, which is one of the common methods in assessing the discount for lack of marketability for the shares of private entity, like the Target Group. The key inputs to the put option pricing model are the expected time to go public (i.e., 5 years which represents a remote chance of going public in foreseeable future), the 5-year risk-free rate in Hong Kong as at the Appraisal Date (i.e., 0.83%) and the average historical price volatility of the Comparable Companies' shares (i.e., 65.13%) while the stock price and the strike price equal to one.

Pursuant to the Stout Restricted Stock Study Companion Guide 2020 Edition, published by Stout Risius Ross, LLC (the "**Stout Restricted Stock Study**"), the discount for lack of marketability ranges from 0% to 91.3% with an average discount of 20.6% and a median discount of 15.8%. Lower market values, revenues, total assets and book values, and higher market-to-book ("**MTB**") ratios and stock price volatility, are correlated with higher discounts. Accordingly, higher investment risk, as reflected in smaller firm size, higher MTB ratios, and increasing stock price volatility, tends to increase the discount. Profitability is also often used as an indicator of firm risk.

The Stout Restricted Stock Study consists of over 750 restricted stock transactions with distinct transaction and company characteristics on which comparisons to a subject company can be made. The study represents the most widely used and accepted database available to valuators for discount for lack of marketability determination.

Since the historical turnover and profitability of the Target Group are relatively volatile, it is not unreasonable to have a high discount for lack of marketability.

Calculation of the fair value of a 100% controlling, non-marketable equity interest in the Target Group is summarised as follows:

		HK$
Revenue between 1 June 2020 and 31 May 2021	A	95,310,000
Multiplied by the selected EV/S ratio of the Comparable Companies	B	0.43
Indicated Value of a 100% EV of Projexasia	C= A x B	40,983,300
Less: Net debt balance	D	(14,708,000)
Indicative equity value of Projexasia	E = C – D	26,275,300
Add: Fair value of the investment in the Joint Venture *(Note 1)*	f	5,094,000
Add: Amount due from the Joint Venture *(Note 2)*	f	378,000
Add: Non-operating assets *(Note 3)*	f	10,390,000
Less: Non-operating liabilities *(Note 4)*	f	(304,000)
	F = Sum of f	15,558,000
Indicative equity value of the Target Group	G = E + F	41,833,300
Add: Control premium (25%)	H = G x 25%	10,458,000
	I = G + H	52,291,300
Less: Discount for lack of marketability (50%)	J = I x 50%	(26,146,000)
Fair value of 100% controlling, non-marketable equity interest in the Target Group (Rounded)	I - J	**26,145,000**

Notes:

1. It is estimated by the discounted cash flow method under income approach. Please refer to the next section "Discounted Cash Flow Analysis" for details.

2. Being the amount due from the Joint Venture. With reference to the fair value of the Joint Venture (see the next section), the balance is expected to be fully recoverable.

3. Being the total book values of financial assets at FVTPL and amounts due from related parties. Financial assets at FVTPL represent the total cash values of certain insurance policy for Projexasia's director issued by reputable insurance companies. In view of nature, it is assumed that their book values are close to their fair values as at the Appraisal Date and the default risks of the counterparties are considered to be immaterial.

These assets are held by Projexasia. These assets are not directly employed in its principal business (i.e., provision of construction management services), their value is not included in the indicative equity value of Projexasia that is derived from the Guideline Publicly-traded Comparable Method under the market approach.

Further details of the insurance policy for Projexasia's financial assets, including the insurance policy for Projexasia's director, is disclosed in note 16 of the accountant's report on the Target Company as set out in Appendix II to this circular.

4. Being the amount due to the Vendor and will be settled by the Target Group.

Discounted Cash Flow Analysis

The fair value of the Joint Venture is developed using the discounted cash flow analysis under income approach. Performing a discounted cash flow analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the subject entity. Forecasting cash flow to all investors requires the projection of revenues, operating expenses, taxes, working capital requirements, and capital expenditures for a future period. Projected cash flow to all investors must then be discounted to a present value using a discount rate, which appropriately accounts for the market cost of capital as well as the risk and nature of the subject cash flows.

As advised by the Management, the only outstanding item of the JV Project is the compilation of the final accounts and the issuance of the certification on the works performed by the customer. According to HKGAAP, contract income and the corresponding costs are recognised in the income statement based on the stage of completion. Thus, the unbilled revenue and costs are only recognised by the Joint Venture after the confirmation with its customer and its suppliers. As of 31 May 2021, and the Appraisal Date, such income and costs are not yet qualified for recognition.

Based on the information provided by the Management, the total contract sum of the JV Project is approximately HK$468.4 million including additional revenue recognised from variation orders and claims. As at the Appraisal Date, approximately HK$49,000,000 has not been settled by the client of the JV Project, however it has been mutually agreed between the parties of the JV Project that the aforementioned balance is expected to be settled within 12 months from the Appraisal Date. After deducting the outstanding payables in relation to the cost of the JV Project, the corresponding net cash inflow of the Joint Venture is expected to be approximately HK$8,551,000.

The net assets of the Joint Venture as at 31 May 2021 amounted to approximately HK$3,048,000 which was composed of financial assets and financial liabilities that were to be settled within 12 months from the reporting date.

The Joint Venture is expected to realise all its future economic benefits within 12 months from the Appraisal Date while the projection period of the Joint Venture's financial forecast is also 12 months from the Appraisal Date. In view of the nature of the Joint Venture's expected cash flows and the short projection horizon, the associated risks are considered as relatively low. The market cost of capital is expected to be low while the time value of money on the future cash flows is considered as immaterial. For simplicity, there is no discounting on the projected cash flows in this valuation.

The fair value of a 50% equity interest in the Joint Venture as at the Appraisal Date is calculated as follows:

	HK$
After-tax profits from the JV Project *(Note)*	7,140,000
Receipts from trade receivables and contract assets	13,313,152
Tax recoverable	1,231,672
Payments for trade and other creditors	(12,139,237)
Settlement of current accounts with shareholders of the Joint Venture	(507,259)
	9,038,328
Add: Cash and cash equivalents	1,149,277
Total cash flows available for distribution to equity shareholders	10,187,605
Fair value of a 50% equity interest in the Joint Venture (Rounded)	**5,094,000**

Note: Being the total after-tax profits expected from the JV Project (i.e., expected net income of HK$8,551,000 x (1 – tax rate of 16.5%)) after 31 May 2021. The expected credit loss on receipts from its customers is considered to be minimal and the future administrative costs of the Joint Venture is assumed to be immaterial. The time value of money is considered as insignificant and ignored in this valuation.

XI. VALUATION ASSUMPTIONS

A number of assumptions have to be established in order to sufficiently support our opinion of value. Major assumptions adopted in this appraisal are:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carries on its business;

2. There will be no major changes in the current taxation law in the country where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

3. There will be no material changes in the industry in which the Target Group involves that would materially affect the revenues, profits, cash flows attributable to the Target Group;

4. The Target Group and/or its partners will obtain the necessary licenses and approvals to provide its service;

5. Exchange rates and interest rates will not differ materially from those presently prevailing;

6. The availability of finance will not be a constraint on the forecasted growth of operations of the Target Group;

7. The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;

8. The Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

9. The Target Group will utilise and maintain its current operational, administrative and technical facilities to expand and increase its sales;

10. The Target Group will be able to secure funds to repay its debts when they fall due;

11. The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;

12. Industry trends and market conditions for related industries will not deviate materially from economic forecasts;

13. The final net income from the JV Project that is to be recognised by the Joint Venture after 31 May 2021 is approximately HK$8,551,000;

14. There are no material credit risks in the financial assets of the Target Group;

15. The fair values of the Target Group's non-operating assets and those of the Joint Venture's current assets as at the Appraisal Date are close to their carrying amounts as at 31 May 2021;

16. The Joint Venture is expected to settle all its assets and liabilities and distribute the final dividend to its shareholders within 12 months from the Appraisal Date;

17. There is no material change in the financial position of the Target Group between 31 May 2021 and the Appraisal Date; and

18. The Target Group has no material unrecorded and/or contingent asset/liability as at the Appraisal Date.

XII. OPINION OF VALUE

Based upon the investigation and analysis outlined above and the appraisal method employed, it is our opinion that the fair value of the entire equity interest in the Target Group as at 30 September 2021 is reasonably stated by the amount of **HONG KONG DOLLARS TWENTY-SIX MILLION ONE HUNDRED AND FORTY-FIVE THOUSAND ONLY (HK$26,145,000).**

This appraisal is conducted in conformity with the generally accepted accounting principles in Hong Kong and the International Valuation Standards. The valuation is based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Any variation to the assumptions and limiting conditions presented in the following report could seriously affect our opinion of value.

Although our valuation is intended to estimate fair value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

We have no obligation to update this report or our opinion of value for information that comes to our attention after the date of this report.

We hereby confirm that we are independent of and not connected with the Group, the Target Group and the Vendor, and have neither present nor prospective interests in them, or the values reported.

Respectfully submitted,
For and on behalf of
Royson Valuation Advisory Limited

Amy W.S. Chan
Director

Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants. She has been working in the valuation field for more than 11 years and has participated in over 1,000 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for numerous listed companies and private entities in different industries.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company comprised 10,000,000,000 ordinary Shares, with a nominal value of HK$100,000,000, while the issued share capital of the Company comprises 800,000,000 ordinary Shares, with a nominal value of HK$8,000,000.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

3. DISCLOSURE OF INTERESTS

Director's and chief executive's interests in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to (i) Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long position in the Shares and/or the underlying Shares of the Company

Name of Director	Capacity/nature of interest	Number of Shares held	Percentage of the issued share capital of the Company *(Note)*
Mr. Heung Chung Sum	Interest in a controlled corporation	600,000,000	75%

Note:

The percentage shareholding in the Company is calculated on the basis of 800,000,000 Shares in issue as at the Latest Practicable Date.

(ii) Long position in the shares of the Company's associated corporations

Name of associated corporation	Name of Director	Capacity/nature of interest	Number of shares of the Company's associated corporation held	Percentage of the issued share capital of the Company's associated corporation
Advanced Pacific Enterprises Limited	Mr. Heung Chung Sum	Beneficial owner	2	100%

Interests of substantial Shareholders

As at the Latest Practicable Date, according to the register of the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest in the share or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or in any options in respect of such share capital were as follows:

Long position in the Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Advanced Pacific Enterprises Limited	Beneficial owner	600,000,000	75% *(Note 1)*
Precise Capital Global Limited	Beneficial owner	185,000,000	17.62% *(Note 2)*
Stephen John Grant	Interest of controlled corporation	185,000,000	17.62% *(Note 2)*

Notes:

1. The percentage shareholding in the Company is calculated on the basis of 800,000,000 Shares in issue as at the Latest Practicable Date.

2. The percentage shareholding in the Company is calculated on the basis of 1,050,000,000 Shares in issue upon the allotment and issue of the Placing Shares and Consideration Shares.

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor any of their close associates had interest in any business apart from the Group's business which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) lease to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the Sale and Purchase Agreement; and

(b) the Placing Agreement.

8. LITIGATION

As at the Latest Practicable Date, Projexasia is involved in an outstanding litigation (the "**Outstanding Litigation**") with a contractor (the "**Plaintiff**") in respect of services rendered or work done and material supplied by the Plaintiff as Projexasia's sub-contractor for carrying out certain works under certain projects. The Plaintiff claimed against Projexasia for (i) an aggregate of HK$4,621,025 for unpaid finished works; (ii) any interest on any sum to be found due by Projexasia to the Plaintiff at such rate and for such period as the Hong Kong Court of First Instance (the "**High Court**") shall deem fit; (iii) cost; and (iv) further and/or other relief.

Projexasia received a writ of summons from the High Court in relation to the Outstanding Litigation on 17 September 2021. As at the Latest Practicable Date, Projexasia is preparing and intends to file a defence and counterclaim against the Plaintiff in relation to the Outstanding Litigation.

Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Enlarged Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company consists of three members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

The primary duties of the audit committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board.

Biographical details of the members of the audit committee of the Company are set out below:

Mr. Chan Chi Hang

Mr. Chan Chi Hang ("**Mr. Chan**"), aged 44, was appointed as an independent non-executive Director on 4 June 2018. Mr. Chan graduated from the University of Otago in December 1999 with a Bachelor of Commerce. He has been admitted as a member of Hong Kong Institute of Certified Public Accountant (HKICPA) since January 2004 and as a member of Association of Chartered Certified Accountants (ACCA) since December 2004.

From September 2000 to November 2014, Mr. Chan worked at the audit department of Deloitte Touche Tohmatsu and he last served as a senior manager. From November 2014 to July 2015, Mr. Chan worked at Financial Reporting Council as a manager to conduct investigations and compliance.

Mr. Chan has been serving as the chief financial officer of AV Concept Holdings Limited (stock code: 0595) since August 2015, the shares of which are listed on the Stock Exchange.

Dr. Ip Wai Hung

Dr. Ip Wai Hung ("**Dr. Ip**"), aged 63, was appointed as an independent non-executive Director on 4 June 2018. Dr. Ip is responsible for providing independent advice to the Board. He has more than 30 years of experience in the education industry and consultancy industry. He received his Doctor of Philosophy degree from Loughborough University of Technology (U.K.), a Master of Business Administration degree from Brunel University (U.K.), a Master of Science in Industrial Engineering specialising in management science from Cranfield Institute of Technology, and Bachelor of Laws (Hons) degree from the University of Wolverhampton (U.K.). Dr. Ip is now the Professor Emeritus and adjunct professor of Mechanical Engineering at the University of Saskatchewan, the senior research fellow in the department of industrial and systems engineering of the Hong Kong Polytechnic University, and the visiting lecturer of Integrated Graduate Development Scheme (IGDS). He was previously an associate professor of the same department from April 1986 to August 2017.

In 2015, Dr. Ip was awarded the "Gold Medal with the Congratulations of Jury" and the "Thailand Award for Best International Invention" in the 43rd International Exhibition of Inventions Geneva. He was also awarded the "Natural Science Award — Second Class" in 2014 of the Ministry of Education Higher Education Outstanding Scientific Research Output Awards by the Ministry of Education of China.

In addition, Dr. Ip has published more than 240 papers with over 130 papers published in SCI indexed journals and over 100 papers in conference proceedings, and has written books and invited book chapters. He is also the chief editor of Enterprise Information Systems (SCI indexed) and chief editor of the International Journal of Engineering Business Management (ESCI Indexed) and editorial member of various international journals. He is a senior member of the Institute of Electrical and Electronics Engineers (IEEE), and a member of the Hong Kong Institution of Engineers (HKIE).

He has been a consultant for various companies. He is a visiting professor of Sun Yat-Sen University, South China Normal University, Civil Aviation University of China and the University of Electronic Science and Technology of China, and Honorary Fellow of the Warwick Manufacturing Group, the University of Warwick (U.K.).

Dr. Ip was an independent non-executive Director of Grand Peace Group Holdings Limited (stock code: 8108, the shares of which were delisted from GEM of the Stock Exchange with effect from 27 August 2021) from June 2000 to 17 August 2001 and Interactive Entertainment China Cultural Technology Investment Limited (stock code: 8081) from January 2011 to December 2011. He is an independent non-executive Director of Sun Entertainment Group Limited (stock code: 8082) from September 2021 until now.

Mr. Ko, Wilson Wai Shun

Mr. Ko, Wilson Wai Shun ("**Mr. Ko**"), aged 51, was appointed as an independent non-executive Director on 4 June 2018. Mr. Ko graduated from the Technical University of Nova Scotia (now known a Dalhousie Technical University) in May 1993 with a Bachelor of Environmental Design Studies. Mr. Ko further graduated from the University of Leeds, United Kingdom in July 1994 with a Bachelor of Laws. Mr. Ko was admitted as a solicitor of the High Court in Hong Kong in 1997. Mr. Ko is a member of the Law Society of Hong Kong.

From November 2000 to June 2004, Mr. Ko was employed at UOB Asia (Hong Kong) Limited as a representative where he was mainly responsible for advising listed and private companies on corporate finance matters. From June 2004 to March 2010, Mr. Ko was employed by Boulton Capital Asia Limited as a senior manager and was mainly responsible for advising listed and private companies on corporate finance matters. From April 2010 to July 2010, Mr. Ko was employed by Shenyin Wanguo Capital (H.K.) Ltd as an associate director and was mainly responsible for advising listed and private companies on corporate finance matters. From July 2010 to November 2012, Mr. Ko was employed by OSK Capital Hong Kong Limited as a director and was mainly responsible for marketing, deal origination and liaison with a focus on developing new business in Mainland China. From June 2013 to October 2015, Mr. Ko was employed at Veda Capital Limited as a representative and mainly responsible for advising on corporate finance matters. Mr. Ko worked for Robertsons from July 2013 to February 2018 as a consultant and specialised in representing issuers or their sponsors on their listing on the Main Board and GEM. From March 2018 to June 2019, Mr. Ko joined Wellington Legal as a partner and was the Head of Corporate Finance & Capital Markets Department. Mr. Ko joined Gallant Legal as a partner in Commercial Department in July 2019, and specialises in representing issuers or their sponsors on their listing on the Main Board and GEM.

10. MANAGEMENT APPOINTMENT

Details of Mr. Grant, who will be joining the Company as senior management as a result of the Acquisition, are as follows

Name	Address
Mr. Grant, Stephen John	2/F, Chung Nam Building, 1 Lockhart Road, Wan Chai, Hong Kong

Mr. Grant Stephen John, aged 54, has been managing director of Projexasia since May 2005. Mr. Grant has over 30 years of international experience in construction and both building and civil engineering. Prior to joining Projexasia, he was a director and general manager of PCE Limited and PCCS Limited, both based in Hong Kong from 2001 to May 2005. From 2000 to 2001, he was a project manager of Walter Construction Group based in Australia. From 1989 to 1999, he was a project manager of Costain Group PLC based in the United Kingdom which is listed on the London Stock Exchange (stock code: COST).

Mr. Grant holds a bachelor of engineering degree (honours) in civil engineering and a master of sustainable management (distinction). He is also a registered general building contractor with the Building Authority in Hong Kong, a registered professional engineer in Hong Kong and has been a professional assessment assessor for the Hong Kong Institute of Engineers since 2009. He is also a fellow of the Hong Kong Institute of Engineers and a fellow of the Institution of Engineers, Australia.

11. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
D & PARTNERS CPA LIMITED	Certified Public Accountants, Hong Kong
Royson Valuation Advisory Limited	Independent valuer

As at the Latest Practicable Date, the above experts had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter, reports or name in the form and context in which they respectively appear.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://tongkee.com.hk/) from the date of this circular up to and including 14 days (except public holidays):

(a) the Sale and Purchase Agreement;

(b) the Placing Agreement;

(c) the accountant's report of the Target Company, the text of which are set out in Appendix II to this circular;

(d) the report from D & Partners CPA Limited, Certified Public Accountants, on the unaudited pro forma financial information of the Enlarged Group following the Acquisition, the text of which is set out in Appendix IV to this circular;

(e) the valuation report on the Target Company, the text of which are set out in Appendix V to this circular; and

(f) the written consents as referred to in paragraph 11 of this appendix.

13. MISCELLANEOUS

(a) Company secretary of the Company is Mr. Chan Wai Hon, Alan who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The compliance officer of the Company is Mr. Heung Chung Sum, the chairman of the Board and an executive Director.

(c) The registered office of the Company is situated at Regatta Office Park, Windward 3, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(d) The head office and principal place of business of the Company in Hong Kong is at Room 2502, 25/F., 148 Electric Road, North Point, Hong Kong.

(e) The principal share registrar of the Company is Ocorian trust (Cayman) Limited, Regatta Office Park, Windward 3, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(f) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(g) The English text of this circular shall prevail over its Chinese text.

TONG KEE (HOLDING) LIMITED
棠記（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Tong Kee (Holding) Limited (the "**Company**") will be held at Unit I, 11/F, Block 2, Kin Ho Industrial Building, 14-24 Au Pui Wan Street, Fotan, New Territories, Hong Kong on Thursday, 16 December 2021 at 4:00 p.m. (Hong Kong time), for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement dated 19 October 2021 (the "**Sale and Purchase Agreement**") and entered into between the Company (as purchaser) and Precise Capital Global Limited (as vendor) in relation to the proposed acquisition of the entire issued share capital of Treasure Mark Global Limited for a consideration of HK$24,000,000 (a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification), and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment (or waiver, as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement, the directors (each a "**Director**") of the Company be and are hereby granted a specific mandate (the "**Shares Specific Mandate**") to allot and issue 185,000,000 new shares of HK$0.01 each in the capital of the Company (each a "**Consideration Share**") to the Vendor, credited as fully paid, at the issue price of HK$0.10 per Consideration Share pursuant to the terms and conditions of the Sale and Purchase Agreement; and

(c) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement, including but not limited to the allotment and issue of the Consideration Shares under the Shares Specific Mandate, and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Sale and Purchase Agreement which he/she/they consider(s) necessary, desirable or expedient."

2. “**THAT**

(a) the conditional placing agreement dated 19 October 2021 (the “**Placing Agreement**”) entered into between the Company and China Rise Securities Asset Management Company Limited in relation to the placing of up to 65,000,000 new shares (each a “**Placing Share**”) of the Company at the placing price of HK$0.10 per Placing Share and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment of the conditions precedent set out in the Placing Agreement, the Directors be and are hereby granted a specific mandate (the “**Placing Specific Mandate**”) to allot, issue and deal with the Placing Shares on the terms and subject to the conditions of the Placing Agreement, provided that the Placing Specific Mandate being additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company (the “**Shareholders**”) prior to the passing of this resolution; and

(c) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) for the purpose of, or in connection with, the implementation of and giving effect to the Placing Agreement, including but not limited to the allotment and issue of the Placing Shares under the Placing Specific Mandate, and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Placing Agreement which he/she/they consider(s) necessary, desirable or expedient.”

By order of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman

Hong Kong, 26 November 2021

Registered office:
P.O. Box 1350
Windward 3
Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2502, 25/F
148 Electric Road
North Point
Hong Kong

Notes:

1. A Shareholder entitled to attend and vote at the Meeting convened is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder. In order to facilitate the prevention and control of the spread of the Novel Coronavirus (COVID-19) epidemic and to safeguard the health and safety of the Shareholders, the Company strongly encourages Shareholders to consider appointing the chairman of the meeting as his/her proxy to vote on the resolution as an alternative to attending in person.

2. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

3. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting (i.e. at or before 4:00 p.m. on Tuesday, 14 December 2021) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person.

4. The voting at the Meeting shall be taken by poll.

5. The register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021 for determining Shareholders' entitlement to attend and vote at the Meeting, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4: 30 p.m. on Friday, 10 December 2021.

6. If typhoon signal no. 8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at www.tongkee.com.hk and on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com to notify the Company's shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and the non-executive Directors are Ms. Heung Joe Yee, Ms. Heung Joe Tung, and the independent non-executive Directors are Dr. Ip Wai Hung, Mr. Wilson, Ko Wai Shun, and Mr. Chan Chi Hang.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This notice will also be posted on the Company's website at www.tongkee.com.hk.