
HISTORY, DEVELOPMENT AND REORGANISATION

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

History and development

A-City Workshop was incorporated in Hong Kong in August 2012 with Mr. Ho and Ms. Cao Hongmei ("**Ms. Cao**"), the spouse of Mr. Sieh as founder members, in equal share. Mr. Ho and Ms. Cao set up A-City Workshop with their savings and wealth accumulated from other business. A-City Workshop has been and has remained as a slope works contractor in Hong Kong since its incorporation.

In January 2013, upon the request of his then employer, being an established slope works contractor, Mr. Ho decided to remain in his employment having considered the chance of gaining further working experience and the benefits of continuing his employment. As such, Mr. Ho resigned from his position as director and transferred his shareholding in A-City Workshop to his spouse, Ms. Lee Kim Kum ("**Ms. Lee**"), who then took the opportunity to continue developing A-City Workshop. After such transfer, A-City Workshop became wholly owned by Ms. Cao and Ms. Lee in equal share.

Ms. Lee has accumulated approximately 10 years of experience in managing a construction engineering services company. From May 2007 to December 2016, Ms. Lee acted as a director of FingerStones Engineering Limited and was responsible for the human resources, contract administration and management of the operation of the company. During her directorship in FingerStones Engineering Limited, Ms. Lee had participated in contract administration and management of more than 15 slope work projects in both public and private sectors. From December 2000 to December 2008, she worked for Parsons Brinckerhoff (Asia) Ltd as document control officer and was responsible for providing administrative support and the maintenance of the library system of the company. Prior to that, she worked for Ngo Kee Construction Co., Ltd from August 1999 to November 2000 and Wah Cheong Construction Co., Ltd from January 1994 to July 1999 respectively as secretary. She has attended an Assessor/Lead Assessor Training Course registered under the IQA International Register of Certificated Auditors in June 1997 and a certificate programme on business management for secretaries under the Hong Kong Management Association in January 2002.

Prior to the establishment of A-City Workshop, Ms. Cao has accumulated approximately two years of experience in the construction industry. From January 2011 to August 2012, she worked for Shing Chun Engineering Limited as an assistant to director and was responsible for account and financing and contract administration of the company. From July 2006 to December 2007, she worked for Ningbo Kangxing Health Food Co., Ltd* (寧波康型健康食品有限公司) as an assistant to general manager and was responsible for human resources, account and financing and contract management of the company.

At the material times during which Ms. Cao and Ms. Lee acted as directors of A-City Workshop, whilst they were responsible for making major corporate decisions and contract administration, they delegated the project management to the then senior management, which

* As such enterprise is established in the PRC, the English translation of its name is provided for identification purpose only.

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consisted of Mr. Cheung Wai Chung and Mr. Li Shilian. Mr. Cheung Wai Chung and Mr. Li Shilian were further supported by Mr. Ho Siu Wai and Mr. Yiu Yuk Sang in supervising and overseeing the progress of the construction projects undertaken by A-City Workshop.

Mr. Cheung Wai Chung was experienced in the civil engineering industry. He joined A-City Workshop in 2014 as a site manager until 2016. Mr. Cheung was registered under the Construction Industry Council as the skilled worker of metal scaffolder, and plant and equipment operator (excavator).

Mr. Li Shilian was experienced in the civil engineering industry. He joined A-City Workshop in 2013 as a foreman until present. Mr. Li has obtained the trade test certificate on metal scaffold from the Construction Industry Council in 2010 and is registered under the Construction Industry Council as the skilled worker of metal scaffolder and carpenter (formwork) (master).

Mr. Ho Siu Wai was experienced in the civil engineering industry. He joined A-City Workshop in 2014 as an assistant foreman until the present. Mr. Ho has obtained a certificate in safety and health for supervisors (construction) from the Occupational Safety and Health Council in 2018 and is registered under the Construction Industry Council as a skilled worker of metal scaffold.

Mr. Yiu Yuk Sang was experienced in the civil engineering industry. He joined A-City Workshop in 2013 as an assistant foreman until the present. Mr. Yiu has obtained a certificate for operation of truck-mounted crane from the Construction Industry Council in 2016 and is registered under the Construction Industry Council as a truck driver (medium goods vehicles) and a truck driver (heavy goods vehicles).

For the period from the date of incorporation to 31 December 2013 and the years ended 31 December 2014, 2015 and 2016, in view of the internal resources and the cost effectiveness taking into account the then business scale, A-City Workshop had delegated most of its site works to its subcontractors and the average number of staff employed by A-City Workshop were 6, 11, 9, and 14, respectively.

For the period from the date of incorporation to 31 December 2013 and the years ended 31 December 2014, 2015 and 2016, A-City Workshop generated revenue of HK\$12.3 million, HK\$17.0 million, HK\$18.6 million and HK\$42.2 million; and recorded net profit/(loss) of HK\$(0.4) million, HK\$(0.4) million, HK\$1.3 million and HK\$2.6 million, respectively.

After gaining further working experience and building up certain business connections in the slope works industry, in the preparation of taking up the business of A-City Workshop, Mr. Ho re-joined A-City Workshop as a director in September 2016. In December 2016, each of Mr. Ho and Mr. Sieh considered that it was the appropriate timing for them to develop their own business in slope works and invested in A-City Workshop by acquiring the shareholdings of their respective spouse in A-City Workshop, i.e. 500 shares each, at HK\$1 each. Meanwhile, Mr. Sieh was appointed as director of A-City Workshop. In determining the consideration for the transfer of shares to Mr. Ho and Mr. Sieh from their respective spouse in December 2016, they took into account (i) the net asset value (before

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payment of interim dividends) of A-City Workshop of approximately HK\$1.4 million as shown in its management accounts as at 30 September 2016, (ii) the interim dividends to Ms. Lee and Ms. Cao of HK\$1.5 million declared in June 2016, and (iii) the spousal relationships between Mr. Ho and Ms. Lee and between Mr. Sieh and Ms. Cao. In view of the above, our Directors are of the view that, and the Sponsor concurs, the consideration at which the shareholdings in A-City Workshop were transferred are fair and reasonable and that the terms of the transfer were on normal commercial terms.

In view of the stabilised business operation and given that the business has been taken up by their respective spouse whom were entrusted as competent and experienced in the industry, Ms. Cao and Ms. Lee decided to resign from their position in the pursuit of their other personal interest in December 2016.

In February 2013, we were registered under the Subcontractor Registration Scheme (currently known as the Registered Specialist Trade Contractors Scheme) at the Construction Industry Council, which is a prerequisite for a subcontractor to participate in public projects commissioned by certain Government departments and statutory bodies. For further details, please refer to the paragraph headed "Regulatory overview – Contractor licensing regime and operation".

The registration with the Building Authority as Registered General Building Contractor and Registered Specialist Contractor under the site formation works category in the year of 2017 and the awarding of a project with estimated contract sum over HK\$90.0 million in the same year signified our capability to undertake large-scale slope works projects and provided the basis of establishing our current customer base.

The following table summarises the major milestones for the development of our operating subsidiary, A-City Workshop, into the present scale of operations:

August 2012	Established in Hong Kong
February 2013	Registered under the Subcontractor Registration Scheme (currently known as the Registered Specialist Trade Contractors Scheme)
January 2017	Accredited with ISO 9001:2015 Quality Management System Standard
May 2017	Registered with the Building Authority as Registered General Building Contractor
June 2017	Registered with the Building Authority as Registered Specialist Contractor under the site formation works category
November 2017	First awarded a project with estimated contract sum over HK\$90.0 million

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June 2018	First awarded a project to act as main contractor in the role of the Registered Specialist Contractor (site formation works) under the Buildings Ordinance
October 2018	Accredited with ISO 14001:2015 Environmental Management System Standard and OHSAS 18001:2007 Occupational Health and Safety Management System Standard

Our subsidiaries

Kanic International

Kanic International was incorporated in the BVI on 5 March 2019. Such company is authorised to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of US\$1 each, among which 11 shares are in issue and directly wholly-owned by our Company upon completion of the Reorganisation.

Kanic International was an investment holding company and an intermediate holding company of our Group as at the Latest Practicable Date.

A-City Workshop

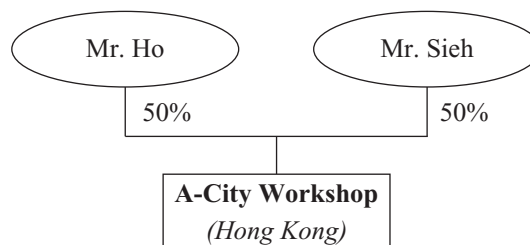
A-City Workshop was incorporated in Hong Kong on 31 August 2012. As at 1 January 2017 (being the commencement date of the Track Record Period), A-City Workshop was held as to 50% by each of Mr. Ho and Mr. Sieh. Such company has an issued share capital of HK\$1,000 divided into 1,000 ordinary shares, all of which are indirectly wholly-owned by our Company upon completion of the Reorganisation.

A-City Workshop commenced business in January 2013 and is mainly engaged in the business of slope works in Hong Kong.

REORGANISATION

In January 2019, we commenced the Reorganisation in preparation for the [REDACTED].

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out in the chart below:



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Step 1 – Incorporation of BVI corporate shareholder

On 16 January 2019, Good Hill allotted and issued one share, credited as fully paid at par, to each of Mr. Ho and Mr. Sieh, for a consideration of US\$1 each as initial subscribers.

Step 2 – Incorporation of our Company

On 30 January 2019, our Company allotted and issued one share, credited as fully paid at par, to the initial subscriber, which was then transferred to Good Hill on the same day for a consideration of HK\$0.01 at par and settled by Good Hill in cash on the same day.

Step 3 – Incorporation of Kanic International

On 5 March 2019, Kanic International allotted and issued one share, credited as fully paid at par, to our Company for a consideration of US\$1 as initial subscriber.

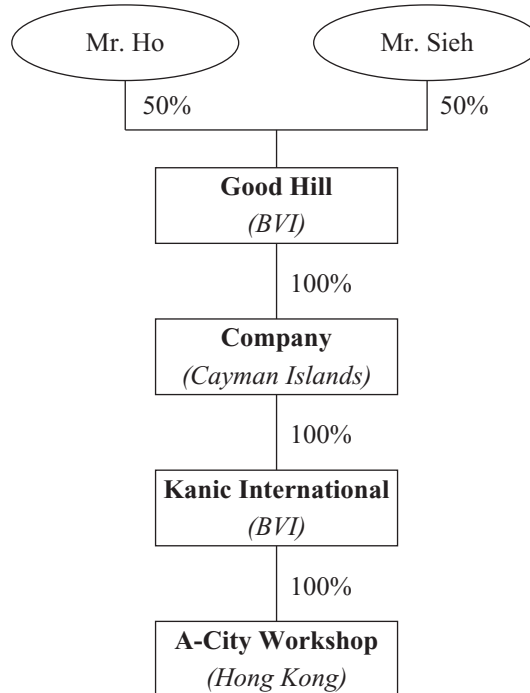
Step 4 – Transfer of the entire issued share capital of A-City Workshop to Kanic International

On 15 March 2019, each of Mr. Ho and Mr. Sieh transferred 500 shares of A-City Workshop, in aggregate representing the entire issued share capital of A-City Workshop, to Kanic International for a consideration of HK\$26,780,000, which was determined based on the net asset value of A-City Workshop as at 31 December 2018 and settled by (a) Kanic International by allotting and issuing 10 shares, credited as fully paid at a premium, to our Company; (b) our Company by allotting and issuing 2,000 Shares, credited as fully paid at a premium, to Good Hill; and (c) Good Hill by allotting and issuing one share, credited as fully paid at a premium, to each of Mr. Ho and Mr. Sieh.

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CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganisation, but before completion of the [REDACTED] and the [REDACTED]:



INCREASE IN AUTHORISED SHARE CAPITAL

On [●] 2019, our Company increased its authorised share capital from HK\$[REDACTED] divided into [REDACTED] Shares of HK\$0.01 each to HK\$[REDACTED] divided into [REDACTED] Shares of HK\$0.01 each by the creation of an additional [REDACTED] new Shares of HK\$0.01 each.

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[REDACTED]

Conditional upon the crediting of our Company's share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for allotment and issue to our Shareholder as at [●] 2019 (i.e. Good Hill).

The following chart sets forth our Group's corporate and shareholding structure after completion of the Reorganisation, the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme):

