

CHI KAN HOLDINGS LIMITED

智勤控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 9913

SHARE OFFER

Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Joint Global Coordinators



Joint Bookrunners and
Joint Lead Managers



IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

CHI KAN HOLDINGS LIMITED 智勤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.52 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	9913

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Global Coordinators



首盛資本集團
Alpha Financial Group



Forwin
Securities Group
富榮證券集團

Joint Bookrunners and Joint Lead Managers



Forwin
Securities Group
富榮證券集團



首盛資本集團
Alpha Financial Group

Joint Lead Managers



AFG
高鈺証券



中國通海證券
CHINA TONGHAI SECURITIES



聯安證券|資產管理
LIAN AN SECURITIES & ASSET MANAGEMENT



EDDID
艾德證券南興



ENHANCED 華豐證券
SECURITIES LIMITED



Plutus Securities Limited
貝德斯證券有限公司



統一證券(香港)有限公司
PRESIDENT SECURITIES (HONG KONG) LTD.



日發金融
rffg.com.hk



路華證券有限公司
ROOFER SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 6 August 2020 and, in any event, no later than Wednesday, 12 August 2020. The Offer Price will be not more than HK\$0.64 per Offer Share and is expected to be not less than HK\$0.52 per Offer Share, unless otherwise announced. Applicants for Public Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$0.64 for each Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$0.64. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not proceed and will lapse immediately.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" in this prospectus. It is important that prospective investors refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

30 July 2020

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the website of our Company at www.chikanck.com and the website of the Stock Exchange at www.hkexnews.hk.

*Date*¹

2020

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on
Thursday, 30 July

Latest time for completing electronic applications under **HK eIPO**

White Form service through one of the below ways²:

(1) the designated website at www.hkeipo.hk

(2) the **IPO App**, which can be downloaded by
searching “**IPO App**” in App Store or Google Play or
downloaded at www.hkeipo.hk/IPOApp or

www.tricorglobal.com/IPOApp 11:30 a.m. on
Tuesday, 4 August

Application lists for Public Offer open³ 11:45 a.m. on
Tuesday, 4 August

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic**
application instructions to HKSCC⁴ 12:00 noon on
Tuesday, 4 August

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on
Tuesday, 4 August

Application lists for Public Offer close³ 12:00 noon on
Tuesday, 4 August

Expected Price Determination Date⁵ Thursday, 6 August

Announcement of (i) the final Offer Price; (ii) the level
of indication of interest in the Placing; (iii) the level of
applications in the Public Offer; and (iv) the basis of
allocation of the Public Offer Shares to be published
on the websites of our Company at

www.chikanck.com⁶ and the Stock Exchange
at www.hkexnews.hk on or before Thursday, 13 August

EXPECTED TIMETABLE

Announcement of results of allocations in the Public

Offer (with successful applicants' identification document numbers, where applicable) will be available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares —

11. Publication of results" in this prospectus from Thursday, 13 August

Results of allocations in the Public Offer will be available

at www.tricor.com.hk/ipo/result or www.hkeipo.hk/iporesult

or the **IPO App** with a "search by ID" function from Thursday, 13 August

Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public

Offer on or before ^{7 and 8} Thursday, 13 August

Despatch/collection of refund cheques or **HK eIPO**

White Form e-Auto Refund payment instructions in respect of wholly or partially successful applications if the final

Offer Price is less than the price payable upon application (if applicable) or wholly or partially unsuccessful applications

pursuant to the Public Offer on or around ⁹ Thursday, 13 August

Dealings in Shares on the Main Board expected to

commence at 9:00 a.m. on Friday, 14 August

The application for the Public Offer Shares will commence on Thursday, 30 July 2020 through Tuesday, 4 August 2020. The gap between the closing date of the application lists and the Listing Date is longer than the usual market practice of six days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 13 August 2020. Prospective investors should be aware that the Price Determination Date is expected to be on or around Thursday, 6 August 2020 and the dealings in Shares on the Stock Exchange are expected to commence on Friday, 14 August 2020.

Notes:

1. All times and dates refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.
2. Applicants will not be permitted to submit application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted the application and obtained an application reference number from the designated website or the **IPO App** prior to 11:30 a.m., applicants will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

3. If there is a “black” rainstorm warning, a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by super typhoons in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 August 2020, the application lists will not open on that day. Further details are set out in the section headed “How to Apply for Public Offer Shares — 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus. If the application lists do not open and close on Tuesday, 4 August 2020, the dates mentioned in this section may be affected. An announcement will be made by us in such event on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Thursday, 6 August 2020. If, for any reason, the Offer Price is not agreed on or before Wednesday, 12 August 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse immediately.
6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms or through the **HK eIPO White Form** service (as the case may be) who have provided all information required in their relevant Application Forms may collect any refund cheques and/or Share certificates (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 13 August 2020 or any other day as announced by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives of corporations (if applicable) must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms who have provided all information required in their relevant Application Forms may collect any refund cheques in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques (if any) will be despatched by ordinary post to the addresses specified in the relevant Application Forms at the applicants’ own risk. Further details are set out in the section headed “How to Apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

8. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

9. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price as finally determined is less than the price payable upon application. Part of the applicant's Hong Kong identity card number or passport number or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicants(s) may be printed on the refund cheque (if any). Such data would also be transferred to a third party to facilitate the refund. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque (if any). Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of the refund cheque or invalidation of the refund cheque.

The above expected timetable is a summary only. Further details of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Further details about the procedures for application for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised any person to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and any of their respective directors, officers, affiliates, employees, agents, representatives or advisers or any other person involved in the Share Offer.

The contents on the website of our Company at www.chikanck.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus before you decide to invest in the Share Offer.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are a Hong Kong-based formwork contractor, mainly engaged in the provision of formwork services, comprising of: (i) conventional formwork which is built on-site by mainly using timber and plywood; and (ii) prefabricated formwork which is built out of prefabricated modules by mainly using aluminium and steel. During the course of providing our formwork services, we may also be requested by our customers, in the form of variation orders, to provide other construction services, including plastering, installing curtain wall and other miscellaneous works on an ancillary basis. According to the Frost & Sullivan Report, we are one of the leading service providers in the formwork industry in Hong Kong with a market share of approximately 11.0% in terms of revenue for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020.

The following table sets forth a breakdown of our revenue by type of services and by public and private sector during the Track Record Period respectively:

	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Formwork services	978,647	96.5	499,968	95.2	683,151	99.6
– Conventional formwork	452,256	44.6	289,985	55.2	295,085	43.0
– Prefabricated formwork	526,391	51.9	209,983	40.0	388,066	56.6
Other construction services	35,021	3.5	25,185	4.8	2,702	0.4
Total revenue	<u>1,013,668</u>	<u>100</u>	<u>525,153</u>	<u>100</u>	<u>685,853</u>	<u>100</u>
	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private	736,248	72.6	352,803	67.2	277,266	40.4
Public	277,420	27.4	172,350	32.8	408,587	59.6
Total revenue	<u>1,013,668</u>	<u>100</u>	<u>525,153</u>	<u>100</u>	<u>685,853</u>	<u>100</u>

SUMMARY

Formwork is the temporary supporting structures and moulds used in construction where concrete is poured in and to be moulded into the required structural shape and size. There are many different types of formwork built using timber, plywood, steel or aluminium. When we undertake a formwork project, we are generally responsible for project planning and implementation, procurement of materials, quality control and overall management of our direct labour and workers of our engaged subcontractors in carrying out the implementation of formwork services in accordance with the main contractors' requirements and specifications.

OUR PROJECTS

The following tables set out the movement of the number of projects with revenue contribution to us and the movement of awarded contract value corresponding to these projects during the Track Record Period:

	FY2018	FY2019	FY2020
Projects brought forward from prior period	22	18	14
New projects awarded during the period	10	7	19
Projects completed during the period	14	11	7
Projects carried forward to the next period	18	14	26
	FY2018	FY2019	FY2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Outstanding revenue to be recognised as at the beginning of the period	973.1	503.9	488.7
Contract value of new projects awarded during the period	539.7	505.2	1,216.2
Amount of variation orders received during the period	4.8	4.8	45.9
Revenue recognised during the period	(1,013.7)	(525.2)	(685.9)
Outstanding revenue to be recognised as at the end of the period	503.9	488.7	1,064.9

For FY2018, FY2019 and FY2020, the contract value of new projects awarded and variation orders was approximately HK\$544.5 million, HK\$510.0 million and HK\$1,262.1 million respectively. During the Track Record Period, the average contract value of new projects awarded was approximately HK\$62.8 million. At the beginning of FY2018, benefiting from strong demand in the construction market in 2017, our Group had a relatively high level of outstanding revenue to be recognised, amounting to approximately HK\$973.1 million; hence, our management team had prioritised our manpower and resources in carrying out the projects on hand during FY2018. Meanwhile, in view of the limitation of our manpower, capacity and resources at the time, our management team tended to be less aggressive in submitting new tenders in response to the invitations received from customers, which in turn resulted in a lower number of projects awarded and lower contract value of projects during FY2018. Our contract value of new projects awarded and variation orders during FY2019 decreased, which was mainly as a result of (i) the increasingly keen competition in tendering for new formwork projects in the Hong Kong market; and (ii) the delay in commencement of two sizeable

SUMMARY

projects, namely Project W046 and Project W047. Please refer to the section headed “Business — Our projects — Backlog — Reasons for the fluctuation in backlog and delay in Project W046 and Project W047” in this prospectus for more details.

CUSTOMERS

The formwork projects undertaken by us originated from both the public sector (including projects where the ultimate employers are mainly government bodies) and private sector (including projects where the ultimate employers are mainly property developers). We generally provide formwork services as a subcontractor to our customers which are principally main contractors of these public or private construction projects in Hong Kong. For FY2018, FY2019 and FY2020, our five largest customers in aggregate accounted for approximately 92.7%, 95.5% and 91.8% of our total revenue respectively, having established business relationship with us ranging from one to 18 years. For further details of our customers, please refer to the section headed “Business — Customers” in this prospectus. For FY2018, FY2019 and FY2020, our largest customers, Hip Hing Group, accounted for approximately 64.9%, 58.2% and 59.8% of our revenue respectively. For details of the customer concentration, please refer to the section headed “Business — Customer — Our stable business relationship with and complementary reliance on Hip Hing Group”.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors mainly include (i) suppliers of timber, plywood, aluminium and steel temporary mould, scaffolding equipment and other equipment; and (ii) subcontractors for carrying out the formwork and other construction services in our projects. For FY2018, FY2019 and FY2020, (i) our five largest material suppliers in aggregate accounted for approximately 82.1%, 73.3% and 81.5% of our total material costs respectively; and (ii) our five largest subcontractors in aggregate accounted for approximately 70.2%, 71.5% and 70.0% of our total subcontracting charges respectively. For further details of our suppliers and subcontractors, please refer to the section headed “Business — Suppliers and Subcontractors” in this prospectus.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the formwork services market in Hong Kong was considered fragmented in terms of number of players. As of May 2020, there were 860 contractors registered under the concreting formwork category of the Construction Industry Council. For FY2020, the top five players took up approximately 41.2% of the entire formwork services market in Hong Kong, contributing approximately HK\$2,577.8 million in revenue. We are one of the leading industry players with a market share of approximately 11.0% in terms of revenue for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020. For further details of the competition environment of the formwork services market in Hong Kong, please refer to the section headed “Industry Overview” in this prospectus.

COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths which have driven growth in our business and financial performance: (i) we are a leading formwork contractor with more than 20 years of track record in Hong Kong, which enable us to maintain a stable business relationship with our customers; (ii) we have maintained good quality of formwork services through our quality control and stable relationships with our major material suppliers, subcontractors and more than 700 formwork workers as at the Latest Practicable Date; and (iii) we have a dedicated management team with extensive industry experience. For further details of our competitive strengths, please refer to the section headed “Business — Competitive Strengths” in this prospectus.

SUMMARY

BUSINESS STRATEGIES

We aim to adopt the following business strategies: (i) strengthening our financial position to undertake more sizeable formwork projects; and (ii) strengthening our manpower to cope with our business development. For further details of our business strategies, please refer to the section headed “Business Strategies, Future Plans and Use of Proceeds — Business Strategies” in this prospectus.

PRICING STRATEGY

Our Group adopted a cost-plus pricing model. Our pricing is based on mark-ups over our cost estimation for each project. In determining the quotation, our Directors will consider a number of factors, such as our relationship with the customer, the site location, nature, timing, size and complexity of the proposed project, the cost and availability of our resources, manpower and subcontractors, market condition of the formwork industry, and the strategic value the project or the customers might bring to our Group. Our quotations will normally set out the types, quantity and price of material required. During the course of reviewing our tenders/quotations, we may revise the terms of tender and/or submit revised quotations based on the request of the potential customer.

RISK FACTORS

We believe there are certain risks and uncertainties involved in our business operations, our industry and in relation to the Share Offer. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the Share Offer and the Shares; and (iv) risks relating to this prospectus. We believe that our major risks and uncertainties include:

- (i) we derive a significant portion of our revenue from our five largest customers, in particular our largest customer, Hip Hing Group; and any decrease or failure to maintain business relationship with whom could materially adversely affect our business operations and financial performance;
- (ii) our Group’s revenue is non-recurring in nature and failure to secure new projects would materially and adversely affect our Group’s business, results of operations, financial position and future prospects;
- (iii) the recent occurrence of novel coronavirus infection in Hong Kong may significantly and adversely impact our business operation and financial performance;
- (iv) the state of political environment in Hong Kong may adversely affect our business operation and financial performance;
- (v) our Group may need to incur various upfront costs before receipt of payments from customers, and such cash flow mismatch may materially and adversely affect our liquidity and financial position;
- (vi) failure to receive progress payments on time and in full or recover our contract assets, or that retention money is not fully released to our Group after expiry of the defects liability period may affect our Group’s liquidity position and expose our Group to credit risks in relation to trade receivables and contract assets owed by our customers; and

SUMMARY

- (vii) our Group determines our price based on the estimated time and costs required to complete the works, but the actual time and costs incurred may exceed our estimation due to unexpected circumstances, and such discrepancy may adversely affect our business, results of operations and financial performance.

For further details of the risks and uncertainties we encounter, please refer to the section headed “Risk Factors” in this prospectus. Potential investors are advised to read such section carefully before making any investment decision in the Share Offer.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Magnificent Faith, which is wholly-owned by Mr. Lo, will hold approximately 55.9% of our Company’s entire issued share capital. Accordingly, Magnificent Faith and Mr. Lo will be a group of our Controlling Shareholders within the meaning of the Listing Rules.

Our Controlling Shareholder, Mr. Lo, is an executive Director and the chairman of our Board. Please refer to the section headed “Directors and Senior Management” in this prospectus for further information about Mr. Lo.

For further details of our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

PRE-IPO INVESTMENT

CT Vision is the Pre-IPO Investor of our Company. Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), CT Vision, which is wholly-owned by Dr. Ho, will hold approximately 19.1% of our Company’s entire issued share capital. For further details of the Pre-IPO Investment, please refer to the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer after deducting underwriting commissions, professional fees and anticipated expenses payable by us in connection with the Share Offer (assuming the payment of aggregate underwriting commission amounting to not more than 6.0% of the aggregate Offer Price) will be approximately HK\$107.0 million, assuming an Offer Price of HK\$0.58 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We currently intend to apply these net proceeds for the following purposes:

- (i) approximately HK\$90.5 million, or approximately 85.0% of the net proceeds, will be used for financing the upfront funding needs for our projects;
- (ii) approximately HK\$5.8 million, or approximately 5.0% of the net proceeds, will be used for expanding our workforce; and

SUMMARY

- (iii) approximately HK\$10.7 million, or approximately 10.0% of the net proceeds, will be used as general working capital of our Group.

For further details of our use of the proceeds from the Share Offer, please refer to the section headed “Business Strategies, Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The tables below set forth our key financial information of our Group during the Track Record Period:

Results of operation

	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,013,668	525,153	685,853
Gross profit	77,206	55,981	73,089
Profit for the year	61,626	41,557	39,601

Our total revenue decreased by approximately 48.2% from approximately HK\$1,013.7 million for FY2018 to HK\$525.2 million for FY2019. Our total revenue increased by approximately 30.6% from approximately HK\$525.2 million for FY2019 to HK\$685.9 million for FY2020. Our gross profit amounted to approximately HK\$77.2 million, HK\$56.0 million and HK\$73.1 million for FY2018, FY2019 and FY2020 respectively, representing gross profit margin of approximately 7.6%, 10.7% and 10.7% for the corresponding year. Our gross profit decreased by approximately 27.5% from approximately HK\$77.2 million for FY2018 to approximately HK\$56.0 million for FY2019; while our overall gross profit margin increased from approximately 7.6% for FY2018 to 10.7% for FY2019. Our overall gross profit margin was generally improved as a result of (i) the improvement in our gross profit margin from both of our private and public projects as a result of the aforementioned drop in our material costs incurred upon the completion of our existing projects and the drop in prefabricated formwork projects during FY2019; and (ii) a slight decrease in average daily wage charges for formwork workers in the market including, carpenter formwork workers and metal formwork erectors, according to the Frost & Sullivan Report. Our gross profit increased by approximately 30.6% from approximately HK\$56.0 million for FY2019 to approximately HK\$73.1 million for FY2020; while our overall gross profit margin remained stable at approximately 10.7% for both FY2019 and FY2020. For further details, please refer to the section headed “Financial Information — Discussion and analysis of financial performance and results of operations of our Group” in this prospectus.

Substantial drop in revenue and net profit in FY2019

The substantial drop in revenue and net profit in FY2019 was mainly due to (i) the decrease in revenue from both the private and public sector as substantial portion of certain large-scale projects was completed in FY2018; and (ii) the unexpected delay in the commencement dates of Project W046 and Project W047.

During FY2019, our Group was awarded with two sizeable projects, namely Project W046 and Project W047, with aggregated contract sum over HK\$350.0 million. Project W046 is a public housing project in Fanling and Project W047 is a vehicle examination centre project in Tsing Yi. The customer of both projects is Hip Hing Group.

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Based on the preliminary master programs from our main contractors, the expected commencement dates of Project W046 and Project W047 were originally scheduled in April 2018 and March 2018 respectively. In light of the said master programs, our management had initially reserved our labour resources for those two projects in early FY2019. However, our main contractors of Project W046 and Project W047 informed our Directors, in September 2018 and October 2018 respectively, that there was potential delay by third party subcontractors in performing the foundation work. Therefore, a considerable lead time was incurred and our Group only commenced work on those two projects in the third quarter of FY2019 and hence, the respective revenue recognition for Project W046 and Project W047 were substantially postponed. For more details on the reason of the delay of Project W046 and Project W047 and their latest status, please refer to the section headed “Business — Our projects — Backlog — Reasons for the fluctuation in backlog and delay in Project W046 and Project W047” in this prospectus.

Drop in net profit in FY2020

The drop in net profit in FY2020 was mainly due to the non-recurring listing expenses incurred during FY2020 of approximately HK\$13.3 million.

Financial position

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	315,643	219,758	250,240
Current liabilities	172,327	34,072	58,778
Net current assets	143,316	185,686	191,462
Non-current assets	719	1,693	2,098
Non-current liabilities	64	1,851	892
Total equity	143,971	185,528	192,668

Our Group had net current assets of approximately HK\$143.3 million, HK\$185.7 million and HK\$191.5 million as at 31 March 2018, 2019 and 2020 respectively.

Our net current assets increased by approximately HK\$42.4 million from approximately HK\$143.3 million as at 31 March 2018 to approximately HK\$185.7 million as at 31 March 2019, which was mainly attributable to the profit and total comprehensive income for the year and attributable to owners of our Group for FY2019 of approximately HK\$41.6 million.

Our net current assets increased by approximately HK\$5.8 million from approximately HK\$185.7 million as at 31 March 2019 to approximately HK\$191.5 million as at 31 March 2020, which was mainly attributed to the net effect of: (i) the profit and total comprehensive income for the period and attributable to owners of our Group for FY2020 of approximately HK\$39.6 million; (ii) proceeds from share subscription of ordinary shares of our Company of approximately HK\$11.0 million; and (iii) dividend declared of approximately HK\$43.2 million.

As at 31 March 2020, we recorded an increase in net assets of approximately HK\$5.8 million, from approximately HK\$185.5 million as at 31 March 2019 to approximately HK\$191.5 million as at 31 March 2020. Such increase was mainly due to the increase in net current assets as the abovementioned.

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Cash flow

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Operating cash flows before movements in working capital	74,416	50,262	51,386
Change in working capital	(38,765)	40,120	16,698
Income tax paid	(8,597)	(10,072)	(15,683)
	27,054	80,310	52,401
Net cash generated from operating activities	27,054	80,310	52,401
Net cash generated from/ (used in) investing activities	55	(184)	(688)
Net cash generated from/ (used in) financing activities	41,767	(126,210)	(44,165)
	68,876	(46,084)	7,548
Net increase/(decrease) in cash and cash equivalents	68,876	(46,084)	7,548
Cash and cash equivalents at the beginning of the year	2,970	71,846	25,762
	71,846	25,762	33,310
Cash and cash equivalents at the end of the year	71,846	25,762	33,310

Key financial ratio

	FY2018/As at 31 March 2018	FY2019/As at 31 March 2019	FY2020/As at 31 March 2020
Gross profit margin	7.6%	10.7%	10.7%
Net profit margin	6.1%	7.9%	5.8%
Current ratio	1.8 times	6.4 times	4.3 times
Gearing ratio (<i>Note</i>)	93.1%	4.6%	0.6%
Debt to equity ratio	43.2%	N/A	N/A
Interest coverage ratio	N/A	N/A	2,397.7
Return on total assets	19.5%	18.8%	15.7%
Return on equity	42.8%	22.4%	20.6%

Note: Gearing ratio is calculated based on the payables incurred not in the ordinary course of business (being amounts due to related companies, amount due to a director and lease liabilities) divided by total equity as at the respective year end and multiplied by 100%.

Our net profit margin decreased from approximately 7.9% for FY2019 to approximately 5.8% for FY2020 mainly due to the non-recurring listing expenses incurred during FY2020 of approximately HK\$13.3 million.

SUMMARY

Our gearing ratio decreased from approximately 93.1% as at 31 March 2018 to approximately 4.6% as at 31 March 2019 because of the net effect of the increase in our total equity as a result of our net profit for the year and the significant drop in our total liabilities upon the settlement of a significant portion of the amounts due to a director and related parties. Our gearing ratio decreased to approximately 0.6% as at 31 March 2020 mainly due to repayment of amount due to related companies of approximately HK\$10.3 million during FY2020, outweighing the percentage increase in our equity derived from the net profit during the period.

LISTING EXPENSES

Based on the Offer Price of HK\$0.58 (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised at all), the underwriting fees, commissions, together with the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Share Offer, which are payable by us are estimated to amount in aggregate to be approximately HK\$38.0 million. For FY2018, FY2019 and FY2020, our listing expenses charged to our consolidated statements of comprehensive income were nil, nil and approximately HK\$13.3 million, respectively. We expect to charge the estimated remaining listing expenses of approximately HK\$9.9 million to our consolidated statement of comprehensive income subsequent to FY2020 and to deduct from equity of approximately HK\$14.8 million following the Listing. The total estimated expenses in relation to the Listing of approximately HK\$38.0 million represent approximately 26.2% of our estimated gross proceeds from the Share Offer, assuming an Offer Price of HK\$0.58 per Share, being the mid-point of the Offer Price range. The listing expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ. The aggregate underwriting commission for the Share Offer is expected to be determined following book closing after publication of this prospectus, and is subject to a number of factors, including, amongst others, the final Offer Price, the quality of investors brought in by the relevant syndicate members and the subscription level of the Share Offer.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation on 16 April 2018 and our Group in FY2018, FY2019 and FY2020 apart from the dividend of approximately HK\$43.2 million declared by our Company in September 2019 to Mr. Lo, the then sole shareholder of our Company. The full amount of the dividend was settled by offsetting with the amount due from Mr. Lo on 12 September 2019. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion in the interest of our Shareholders as a whole.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business and operations

Since 1 April 2020 and up to the Latest Practicable Date, we have continued to focus on developing our formwork works business in Hong Kong. We had 28 projects on hand as at the Latest Practicable Date that have been awarded to us but not completed. For further details of our projects, please refer to the section headed “Business — Our Projects” in this prospectus.

As at the Latest Practicable Date, we had five newly awarded projects, but not yet commenced, with an aggregate contract sum of approximately HK\$575.3 million, of which approximately HK\$243.6 million and HK\$288.6 million are expected to be recognised as our revenue for FY2021 and FY2022 respectively.

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In November 2019, a fire accident occurred at a site for the construction of a commercial building in Tsuen Wan, Hong Kong (the “**Tsuen Wan Site**”) at a late hour of the day. The relevant project is Project W060 as set out in the section headed “**Business — Our projects — Our ongoing projects**” in this prospectus. CK Woodworks was engaged as a subcontractor for the provision of formwork services. At the material time, all workers had left the Tsuen Wan Site. The cause of the fire accident was still under investigation as at the Latest Practicable Date, but it is believed that the fire accident was caused by electric fire. No casualties were caused by the fire accident. Some of our formwork materials and scaffolds erected by our Group were damaged during the fire accident which will likely delay the expected completion date of the project by three months, from September 2020 to December 2020. The relevant customer has confirmed acceptance of such potential three-month delay and certified the losses recorded by our Group as a result of the fire accident in the sum of approximately HK\$6.6 million, which have been fully covered by the insurance policies maintained by the main contractor of the Tsuen Wan Site. Therefore, our Directors considered that the overall impact caused by the fire accident on our business, results of operations and/or financial performance will not be significant.

Material uncertainty relating to going concern for South Shore Holdings Limited

South Shore Holdings Limited (“**South Shore**”), a company listed on the Main Board (stock code: 577), is the holding company of Paul Y. Group, who is one of our Group’s top five customers during the Track Record Period. Paul Y. Group accounted for approximately 8.2%, 20.8% and 19.6% of our revenue for FY2018, FY2019 and FY2020 respectively. Based on the 2020 interim report of South Shore published in December 2019 (“**South Shore’s 2020 Interim Report**”), South Shore incurred a net loss of approximately HK\$499.6 million for the six months ended 30 September 2019 and South Shore’s current liabilities exceeded its current assets by approximately HK\$4,621.4 million as at 30 September 2019. In addition, as disclosed in South Shore’s 2020 Interim Report, South Shore had not complied with certain covenants in respect of bank borrowings in the amount of approximately HK\$2,941.9 million. For further details, please refer to South Shore’s 2020 Interim Report.

Furthermore, in April 2020, South Shore announced that a bank issued a demand for repayment of aggregate principal and interest of approximately HK\$470 million, and on account of South Shore’s failure to repay, accelerated its demand for all additional principal and interest under a facility agreement, in the amount of approximately HK\$2,481 million (in aggregate amounting to approximately HK\$2,951 million as at 31 March 2020), which South Shore is currently unable to repay. South Shore has applied to the bank for a standstill, seeking assurance from the bank that it will not take imminent steps either to enforce its security over certain hotel assets or to liquidate South Shore, mindful of the severe adverse effect of COVID-19 on the economy. South Shore considered that its defaults and the bank’s demand for all amounts outstanding under the facility agreement do not trigger direct cross-defaults under the facility agreements deployed in the conduct of South Shore’s other principal business, which includes that conducted by Paul Y. Group.

On 26 June 2020, South Shore announced that, based on the unaudited consolidated financial information of Paul Y. Engineering Group Limited (a major subsidiary of South Shore comprising Paul Y. Group) for the year ended 31 March 2020, the profit for the year attributable to owners of Paul Y. Engineering Group Limited was approximately HK\$35 million, the revenue of Paul Y. Engineering Group Limited was approximately HK\$10,982 million and the secured new contracts of Paul Y. Engineering Group Limited in aggregate value were about HK\$15,770 million. As at 31 March 2020, the net assets of Paul Y. Engineering Group Limited was approximately HK\$815 million, the total value of contracts on hand of Paul Y. Engineering Group Limited was about HK\$44,307 million and the value of works remaining of Paul Y. Engineering Group Limited was about HK\$26,633 million.

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As at 31 March 2020, our Group had four ongoing projects with Paul Y. Group with the outstanding revenue to be recognised of approximately HK\$108.0 million. The following table sets forth details of the four ongoing projects since 1 April 2020 and up to the Latest Practicable Date:

Project no.	Location of project	Customer	Sector	Scope of works	Project period	Aggregated contract sum HK\$ million	Revenue recognised			Track Record Period HK\$ million	Estimated revenue to be recognised	
							FY2018 HK\$ million	FY2019 HK\$ million	FY2020 HK\$ million		FY2021 HK\$ million	FY2022 HK\$ million
W034	Third phase of public housing estate in Ping Shan	Paul Y. Group	Public	Conventional formwork	Jul 2017 – Jun 2020	48.7	19.4	24.6	4.7	48.7	-	-
W043	Public residential buildings in Tseung Kwan O	Paul Y. Group	Public	Conventional formwork	Jan 2018 – Jul 2020	48.4	8.7	12.2	21.4	42.3	6.1	-
W062	Residential building in Kai Tak	Paul Y. Group	Private	Conventional formwork and prefabricated formwork	Oct 2019 – Mar 2021	111.0	-	-	68.7	68.7	42.3	-
W065	Private residential building in Kai Tak	Paul Y. Group	Private	Conventional formwork and prefabricated formwork	Mar 2020 – Apr 2021	69.7	-	-	10.1	10.1	39.6	-
Total						277.8	28.1	36.8	104.9	169.8	108.0	-

Since 1 April 2020 and up to the Latest Practicable Date, our Group did not have any newly awarded projects or projects awarded but not yet commenced with Paul Y. Group. Subsequently, as at 31 May 2020, the outstanding revenue to be recognised of the four ongoing projects with Paul Y. Group amounted to approximately HK\$82.8 million. Our Group recorded approximately HK\$6.5 million of account receivables outstanding from Paul Y. Group as at 31 March 2020. As at the Latest Practicable Date, all of the outstanding trade receivables from Paul Y. Group as at 31 March 2020 were subsequently settled. The uncertified work in progress (as part of contract assets) due from Paul Y. Group as at 31 March 2020 amounted to approximately HK\$47.7 million. As at the Latest Practicable Date, (i) approximately 92.9% (which amounted to approximately HK\$44.3 million) of such balance was transferred to trade receivables and settled; and (ii) approximately 7.1% (which amounted to approximately HK\$3.4 million) of such balance was transferred to retention receivables.

As at the Latest Practicable Date, all of the outstanding trade receivables from Paul Y. Group as at 30 April 2020 of approximately HK\$44.3 million were subsequently settled. The uncertified work in progress (as part of contract assets) due from Paul Y. Group as at 30 April 2020 amounted to approximately HK\$2.0 million. As at the Latest Practicable Date, all of such balance was transferred to trade receivables and settled.

As at the Latest Practicable Date, all of the outstanding trade receivables from Paul Y. Group as at 31 May 2020 of approximately HK\$2.8 million were subsequently settled. The uncertified work in progress (as part of contract assets) due from Paul Y. Group as at 31 May 2020 amounted to approximately HK\$11.7 million. None of such balance was transferred to trade receivables and settled.

Having considered, up to the Latest Practicable Date, (i) the above-mentioned high level of subsequent settlement of Paul Y. Group; (ii) no cancellation, significant delay or suspension has been encountered by our Group for the four ongoing projects with Paul Y. Group; (iii) no significant delay in payment of any amounts due from Paul Y. Group; (iv) the recent communication between our Directors and Paul Y. Group on the financial results and positions of South Shore; and (v) the unaudited consolidated financial information of Paul Y. Group for the year ended 31 March 2020, nothing has come to our Directors' attention that the material uncertainty relating to going concern for South Shore would have material adverse impact on our Group's business and financial performance, and our Group will continue to provide formwork services to Paul Y. Group.

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Notwithstanding the aforesaid, in the worst case scenario, if all of our business relationship with Paul Y. Group is halted due to the above-mentioned defaults of South Shore, our Directors are of view that our Group will be able to capture new source of revenue from newly acquainted customers. During the Track Record Period, our Group had two, one and four newly acquainted customers and the aggregate revenue from them amounted to approximately HK\$74.3 million, HK\$9.3 million and HK\$55.2 million, respectively. As at the Latest Practicable Date, our Group had 28 projects on hand that have been awarded but not completed, out of which five projects were from the newly acquainted customers for FY2020. As at 31 March 2020, the outstanding revenue to be recognised from such five projects amounted to approximately HK\$152.0 million.

Outbreak of COVID-19

According to the Frost & Sullivan Report, the Hong Kong economy faces harsh challenges due to weak domestic and external demand amid social unrest arising from anti-government protests since June 2019 and the US-China trade tension. In addition, the occurrence of novel coronavirus (“COVID-19”) in Hong Kong since January 2020 may, coupled with the social unrest, further deteriorate the Hong Kong economy, resulting in the contraction of various industries including the property development market and construction industry, and may therefore adversely affect formwork contractor going forward. According to the Frost & Sullivan Report, due to COVID-19 outbreak, the market size of the construction industry in Hong Kong as measured by gross value is expected to encounter contraction from approximately HK\$446.6 billion in 2019 to HK\$419.8 billion in 2020. The formwork services market is also estimated to experience a downtrend which is in line with the trend of the entire construction market in Hong Kong with the gross value decreasing from approximately HK\$6,256.7 million in 2019 to HK\$5,756.2 million in 2020. For details of the risks associated with the aforesaid factors relating to our business, please refer to the paragraphs headed “The recent occurrence of COVID-19 in Hong Kong may significantly and adversely impact our business operation, financial performance and future prospects.” and “The state of political environment in Hong Kong may adversely affect our performance and financial condition.” under the section headed “Risk Factor” in this prospectus.

Since the first case of COVID-19 has been confirmed in Hong Kong on 25 January 2020, our Directors have closely monitored the development of the outbreak of COVID-19 and kept communication with our main contractors, suppliers and subcontractors proactively and regularly to ensure whether there would be (i) any significant impact on the status or progress of our ongoing projects; and (ii) any supply shortages on our formwork materials and human resources. Pursuant to the communication with our customers, suppliers and subcontractors, our Directors are not aware of (i) any intention of our customers to delay or suspend our existing projects; (ii) any difficulty of our suppliers in delivering formwork materials ordered by us within the agreed schedule; or (iii) any labour shortage or suspension of works on the part of our Group or our subcontractors, despite the outbreak of COVID-19.

As the outbreak of COVID-19 continues to grow, COVID-19 is spreading rapidly worldwide which resulted in a sharp increase in number of confirmed cases and deaths across various countries. Nevertheless, since our business is primarily based in Hong Kong and all our customers are based in Hong Kong, our business operations have not been affected by the situation happening in other countries. As at 31 March 2020, the outstanding revenue to be recognised for our projects on hand was approximately HK\$1,064.9 million. Having considered the outstanding revenue to be recognised and the potential new tenders, our Directors are of the view that our Group’s business operations and outlook would not be significantly and adversely affected.

As at the Latest Practicable Date, our Directors confirmed that none of our projects had been subject to significant delay or suspension of work since the outbreak of COVID-19. Therefore, our Directors are of the view, and the Sponsor concurs, that the overall impact caused by the outbreak of COVID-19 on our business, results of operations and/or financial performance will not be significant. Also, our Directors consider that

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there were no quantified amounts on potential losses as at the Latest Practicable Date. However, if the outbreak of COVID-19 continues in long term, our business, results of operation, financial performance and future prospects may be significantly and adversely affected.

If the outbreak of COVID-19 continues, our Directors already have the contingency plans to minimise the impact on our business operation:

- (i) to discuss and prepare the contingency plans for our main contractors during the planning stage of our formwork projects. The contingency plans would generally include, but not limited to, the contacts of the parties involved in the projects, the assignment of alternate personnel to replace any project team members in the event they have fallen ill, and the details of alternate suppliers and subcontractors;
- (ii) to avoid shortage in supply of formwork materials due to temporary closure of our suppliers' production facilities, transportation restrictions or any disruption of the supply chain of formwork materials, we would obtain more quotations from different suppliers and retain the quotations of the other suppliers for back-up purpose. As at the Latest Practicable Date, we have more than 20 suppliers on our list of approved suppliers. Our Directors are of the view that our business operation does not rely on any single supplier; and
- (iii) to avoid shortage in labour supply, we would obtain more quotations from different subcontractors and retain the quotations of the other subcontractors for back-up purpose. As at the Latest Practicable Date, we have more than 20 subcontractors on our list of approved subcontractors. Given our Group had more than 700 direct formwork workers as at the Latest Practicable Date, our Directors are of the view that our business operation does not rely on any single subcontractor.

Having considered the abovementioned contingency plans mainly leveraged on our existing business relationship with our customers, suppliers and subcontractors, our Directors are of the view that the implementation of these plans will not incur any significant additional costs and thus have no significant impact on our financial performance.

Since 1 March 2020 and up to 30 June 2020, our Group incurred total costs of not more than HK\$60,000 in order to prevent the spread of COVID-19. Our Directors expect to incur extra costs for enhancing the hygienic working environment to our staff and our subcontractors of not more than HK\$100,000 per month up to 31 December 2020. In addition, our Directors have circulated an internal health guide to our staff and our subcontractors for enhancing the hygienic working environment. In this regard, we have implemented, including but not limited to, the following additional measures in response to the outbreak of COVID-19:

Precautionary measures for our offices

- work from home if feasible and avoid social gatherings with our main contractors, suppliers and subcontractors;
- suggest our staff to measure body temperature before going to work;
- wear a surgical mask when staying at office or in crowded places. It is important to wear a mask properly, including hand hygiene before wearing and after removing a mask;
- avoid going to office, when having respiratory symptoms;
- report travel history of our staff and their family members residing with them; relevant staff and/or their family members who have travelled or will travel to the PRC are required to work from home for 14 days upon their arrival;

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- suggest our staff to consult a doctor promptly and undergo quarantine for 14 days if they have a fever or other symptoms; and
- monitor and keep track of the development of COVID-19 in Hong Kong and update our staff.

Precautionary measures for our project sites

- circulate the guidelines on health precautions against COVID-19 issued by the relevant main contractors and the Construction Industry Council to our workers and the workers of our subcontractors. Such guidelines generally include health safety protocol, such as measuring body temperature before entry to the project site, wearing surgical mask at all time in the project site, and washing hands before entering or leaving the project site, etc;
- require our workers and the workers of our subcontractors to wear surgical mask in project sites;
- report travel history of our staff and their family members residing with them to project manager; relevant staff and/or their family members who have travelled or will travel to the PRC are required to work from home for 14 days upon their arrival;
- suggest our workers and the workers of our subcontractors to consult a doctor promptly and undergo quarantine for 14 days if they have a fever or other symptoms; and
- keep close communication with our main contractors when any workers in project site confirmed positive for COVID-19.

Frost & Sullivan is of the view that the formwork industry in Hong Kong is expected to face relatively small challenges only, taking into account (i) the Hong Kong government has not imposed suspension of construction work due to COVID-19, unless there is a confirmed infection case of COVID-19 among the construction workers in the project sites; and (ii) the main contractors in Hong Kong generally will not consider suspending or postponing the works in project sites due to the potential liquidated damages for late completion, unless there is a confirmed infection case of COVID-19 among the construction workers in the project sites. In addition, while some of our suppliers have manufacturing facilities in the PRC, the outbreak of COVID-19 is expected to have limited impact on the operations of our suppliers as their manufacturing facilities are generally located outside Hubei Province, the epicentre of the infection. With reference to past epidemics (including SARS in 2003, MERS in 2015 and episodes of H5N1 bird flu), the negative impact brought forth by the outbreak of COVID-19 is expected to be temporary and short term only. In particular, the construction market in Hong Kong was stable in 2003 in terms of gross value during the outbreak of SARS. Hence the outbreak of COVID-19 is expected to cause a short-term economic slowdown, but may not affect the formwork industry in Hong Kong in the long-run.

Our Directors confirm that as at the Latest Practicable Date, our Group had not experienced any cancellation of projects by our customers due to the outbreak of COVID-19.

Notwithstanding that, our Directors will continue to monitor the progress of both our secured projects and our quotations for pipeline projects along with the development of these events in case any of the said potential adverse impacts materialises, which may negatively affect the financial performance and business operation of our Group.

SUMMARY

However, our Directors consider that our Group is well-positioned to take on more projects and believe that the expected increase in construction of buildings, the government's support to increase land and housing supply and new development area projects will boost the demand for our services and will support our Group's business growth.

Our Directors have confirmed that, save as disclosed in the above, since 31 March 2020 and up to the date of this prospectus, there had been no material adverse change in the financial and trading position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountant's Report as set out in Appendix I to the prospectus.

Notwithstanding the aforesaid, in the worst case scenario, if no formwork services and other construction services can be performed due to the outbreak of COVID-19, our Group will not incur any direct costs as these direct costs are only incurred during the course of performing formwork and other construction services. In order to maintain basic operation of our Group, our Directors expected that minimal administrative cost and operating expenses will be incurred during the suspension period. As at 31 March 2020, the cash balance and available banking facilities of our Group are approximately HK\$33.3 million and HK\$60.0 million respectively. In the worst case scenario and based on the assumptions that (i) all of our ongoing projects will be temporarily suspended and no revenue will be derived upon cessation of business; (ii) only minimal administrative cost and operating expenses will be incurred during the suspension period; (iii) all outstanding payables are paid as and when they fall due; (iv) all outstanding trade receivables and contract assets are not recovered; (v) 10.0% of the net proceeds from the Share Offer related to general working capital purpose would be available; and (vi) we would only use any immediately available cash and banking facilities, our Directors are of the view that our Group will remain financially viable for at least 24 months from 1 April 2020.

STATISTICS OF THE SHARE OFFER

Market capitalisation at Listing:	HK\$520 million to HK\$640 million
Shares to be in issue after completion of the Share Offer and Capitalisation Issue:	1,000,000,000 Shares
Offer size:	250,000,000 Shares
Board lot:	4,000 Shares
Offering structure:	225,000,000 Shares for Placing and 25,000,000 Shares for Public Offer (subject to reallocation)
Unaudited pro forma adjusted net tangible assets per Share:	HK\$0.30 to HK\$0.33

Note: All statistics in this table are based on the assumption that the Over-allotment Option is not exercised at all.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, our Group was involved in 22 ongoing employees' compensation applications and 12 ongoing personal injury claims resulting from (a) 25 workplace accidents occurred during the Track Record Period and up to the Latest Practicable Date; and (b) six workplace accidents occurred before the Track Record Period, the nature of which included (i) fell from height; (ii) slipped, tripped, or fell on same level; (iii) struck by/against moving or falling objects; and (iv) injured whilst lifting, carrying or handling formwork. For details of these workplace accidents, please refer to the section

SUMMARY

headed “Business — Litigation, Arbitration and Potential Claims — Litigation in relation to employees’ compensation claims and common law personal injury claims against our Group” in this prospectus. Further, by mutual consents of the parties or notices of discontinuance filed by the relevant applicants, 21 employees’ compensation applications and two common law personal injury claims that were commenced against CK Woodworks as a respondent/defendant for accidents occurred during the Track Record Period and up to the Latest Practicable Date had been settled or discontinued.

There were 45 workplace accidents occurred to workers of our Group during the Track Record Period and up to the Latest Practicable Date, out of which 34 accidents may give rise to potential employees’ compensation claim and/or potential common law personal injury claims against our Group, where the limitation periods for the workers to commence such claims have not been expired.

For further details, please refer to the section headed “Business — Litigation, Arbitration and Potential Claims” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, there was no material legal proceeding, claim, dispute, arbitration or administrative proceeding pending or threatening against our Group in relation to infringement of any intellectual property rights.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in the following non-compliance incidents:

- (a) CK Woodworks failed to submit information regarding the commencement (namely Form IR 56E) and cessation (namely Form IR 56F) of employment to the Inland Revenue Department for FY2018;
- (b) CK Woodworks was convicted under 18 summonses served by the Labour Department in respect of non-compliance incidents under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and its subsidiary legislations; and
- (c) following the Labour Department’s random inspections at eight construction sites, two suspension notices and 29 improvement notices were issued by the Labour Department against CK Woodworks in respect of contravention of the Factories and Industrial Undertakings Ordinance and its subsidiary legislations. The improvement notices were issued against CK Woodworks in respect of failure to (i) ensure load is securely suspended before using lifting appliance; (ii) ensure safe access to and egress from a place of work; (iii) prevent a person from falling from a height of two metres or more; (iv) ensure that no materials with projecting nails are used; (v) ensure that workman uses goggles; (vi) ensure that every person properly uses eye protectors; (vii) provide and ensure the use of a scaffold; (viii) ensure that safety audits were conducted regularly; and (ix) establish not less than one safety committee. In particular, three improvement notices were issued during the second half of FY2020 following inspections at three construction sites (namely Improvement Notices 25, 26 and 27), and two improvement notices were issued after the Track Record Period and up to the Latest Practicable Date following inspection at a construction site (namely Improvement Notices 28 and 29). For details of these suspension notices and improvement notices, please refer to the section headed “Business — Non-compliance — Suspension Notices and Improvement Notices” in this prospectus.

For further details of such non-compliance matters, please refer to the section headed “Business — Non-compliance” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.

“Accountant’s Report”	the accountant’s report of our Group from PricewaterhouseCoopers, our auditor and reporting accountant, as set out in Appendix I to this prospectus
“affiliate(s)”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Forms”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), as the context may require, any of them in relation to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 17 July 2020 with effect from 14 August 2020 and as amended, modified or supplemented from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 749,990,000 Shares to be made on the Listing Date upon capitalisation of an amount of HK\$7,499,900 standing to the credit of the share premium account of our Company, details of which are set out in the section headed “Statutory and General Information — A. Further information about our Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CK BVI”	Chi Kan Group (BVI) Limited, a company incorporated in the BVI with limited liability on 18 September 2018, which is an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CK Engineering”	Chi Kan Engineering Company Limited (智勤工程有限公司), a company incorporated in Hong Kong with limited liability on 19 March 1996, which is owned as to 50% by each of Mr. Lo and Mrs. Lo as at the Latest Practicable Date
“CK Engineering Technology”	Chi Kan Engineering Technology Company Limited, a company incorporated in the BVI with limited liability on 11 April 2019, which is a direct wholly-owned subsidiary of our Company
“CK Formwork”	Chi Kan Formwork Company Limited (智勤釘板有限公司), a company incorporated in Hong Kong with limited liability on 9 March 2006, which is wholly-owned by Mr. Lo as at the Latest Practicable Date
“CK Nanjing”	Nanjing Zhixin Construction Technology Company Limited* (南京智信建築科技有限公司), a company established in the PRC with limited liability on 9 August 2019, which is an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date

DEFINITIONS

“CK Strategy”	Chi Kan Strategy Limited (智勤策略有限公司), a company incorporated in Hong Kong with limited liability on 30 April 2019, which is an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CK Technology Development”	Chi Kan Technology Development Limited, a company incorporated in the BVI with limited liability on 12 April 2019, which is an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CK Woodworks”	Chi Kan Woodworks Company Limited (智勤造木有限公司), a company incorporated in Hong Kong with limited liability on 23 September 2011, which is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“CK Yangzhou”	Chi Kan Engineering Investment (Yangzhou) Company Limited* (智勤工程投資(揚州)有限公司), a company established in the PRC with limited liability on 15 July 2019, which is an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Clever Universal”	Clever Universal Co., Limited, a company incorporated in Hong Kong with limited liability on 2 June 2016, which is wholly-owned by Ms. Yue Ka Lai Jenny
“Clever Universal Agreement”	the sale and purchase agreement dated 21 April 2017 entered into between Mr. Lo and Clever Universal, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Corporate History and Development — CK Woodworks” in this prospectus
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified or supplemented from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
“Company” or “our Company”	Chi Kan Holdings Limited (智勤控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 under the Companies Law
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholders (having the meaning ascribed to it under the Listing Rules) of our Company immediately upon completion of the Share Offer, and in the context of this prospectus refer to Magnificent Faith and Mr. Lo, either individually or as a group of persons where the context requires
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, modified or supplemented from time to time
“COVID-19”	Coronavirus disease 2019, also known as novel coronavirus or novel coronavirus pneumonia, is an infectious respiratory disease which was initially identified in Wuhan, the PRC in December 2019
“CT Vision”	CT Vision Strategic Company Limited (中天宏信策略有限公司), a company incorporated in the BVI with limited liability on 20 February 2018, which is wholly-owned by Dr. Ho and through which Dr. Ho invested in our Group, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 17 July 2020 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Statutory and General Information — F. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 17 July 2020 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Dr. Ho”	Dr. Ho Chun Kit Gregory (何俊傑博士), the sole shareholder and director of CT Vision
“ electronic application instruction(s) ”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research consultant commissioned by our Company for preparing the Frost & Sullivan Report
“Frost & Sullivan Report”	an independent market research report commissioned by our Company and prepared by Frost & Sullivan, a summary of which is set out in the section headed “Industry Overview” in this prospectus
“FY2018”	the year ended 31 March 2018
“FY2019”	the year ended 31 March 2019
“FY2020”	the year ended 31 March 2020
“FY2021”	the year ending 31 March 2021
“FY2022”	the year ending 31 March 2022
“ GREEN Application Form(s)”	the application form(s) for use by the HK IPO White Form Service Provider
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries pursuant to the Reorganisation, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“Hip Hing Group”	collectively refers to Hip Hing Construction Company Limited, Hip Hing Engineering Company Limited and Vibro Construction Company Limited, which are wholly-owned subsidiaries of NWS Holdings Limited, a company listed on the Main Board (stock code: 659)
“Hip Seng Group”	collectively refers to Hip Seng Builders Limited and New World Construction Company Limited, which are wholly-owned subsidiaries of New World Development Company Limited, a company listed on the Main Board (stock code: 17)
“HK eIPO White Form”	the application form for Public Offer Shares to be issued in the applicant’s own name by submitting application online through the designated website at www.hkeipo.hk or in the IPO App
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at www.hkeipo.hk or in the IPO App
“HK\$” or “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our branch share registrar and transfer office in Hong Kong
“Hong Kong Legal Counsel”	Ms. Kennis Tai, barrister-at-law in Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is or are independent from and not connected with (within the meaning under the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	Forwin Securities Group Limited and Alpha Financial Group Limited, the joint bookrunners in respect of the Share Offer
“Joint Global Coordinators”	Alpha Financial Group Limited and Forwin Securities Group Limited, the joint global coordinators in respect of the Share Offer
“Joint Lead Managers”	Forwin Securities Group Limited, Alpha Financial Group Limited, AFG Securities Limited, China Tonghai Securities Limited, CIS Securities Asset Management Limited, Eddid Securities and Futures Limited, Enhanced Securities Limited, Plutus Securities Limited, President Securities (Hong Kong) Limited, Rifa Securities Limited and Roofer Securities Limited, the joint lead managers in respect of the Share Offer
“Latest Practicable Date”	20 July 2020, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence, which is expected to be on or about Friday, 14 August 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Magnificent Faith”	Magnificent Faith Limited (信偉有限公司), a company incorporated in the BVI with limited liability on 7 February 2018, which is wholly-owned by Mr. Lo as at the Latest Practicable Date

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 17 July 2020 with effect from 14 August 2020 and as amended, modified or supplemented from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 1. Memorandum of Association” in Appendix III to this prospectus
“Mr. Lo”	Mr. Lo Hon Kwong (盧漢光先生), the chairman of our Board, an executive Director, and one of the Controlling Shareholders, who is also the spouse of Mrs. Lo
“Mrs. Lo”	Ms. Chan May Kiu (陳美嬌女士), the chief operations officer and an executive Director, who is also the spouse of Mr. Lo
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final price for each Offer Share (exclusive of any brokerage, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$0.64 per Offer Share and not less than HK\$0.52 per Offer Share, such price to be determined on or before the Price Determination Date in the manner as further described in the section headed “Structure and Conditions of the Share Offer — Pricing” in this prospectus
“Offer Share(s)”	collectively the Public Offer Share(s) and the Placing Share(s), and where relevant, together with any additional Share(s) which may be issued pursuant to the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement to require our Company to issue up to an additional 37,500,000 Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer at the Offer Price, details of which are set out in the section headed “Structure and Conditions of the Share Offer — Over-allotment Option” in this prospectus

DEFINITIONS

“Paul Y. Group”	collectively refers to Paul Y. Builders Limited, Paul Y. Construction & Engineering Co. Limited, Paul Y. Construction Company Limited and Paul Y. General Contractors Limited, which are subsidiaries of South Shore Holdings Limited, a company listed on the Main Board (stock code: 577)
“Placing”	the conditional placing of the Placing Shares to selected professional, institutional and private investors by the Placing Underwriters at the Offer Price as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus), and where relevant, together with any additional Share(s) which may be issued pursuant to the Over-allotment Option
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 6 August 2020 among our Company, our executive Directors, the Controlling Shareholders, the Sponsor, the Joint Global Coordinators and the Placing Underwriters in respect of the Placing, details of which are further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Agreement”	the pre-IPO agreement dated 22 October 2018 entered into between our Company, Magnificent Faith and CT Vision, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus

DEFINITIONS

“Pre-IPO Investment”	the pre-IPO investment made by CT Vision in our Group, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus
“Pre-IPO Investor”	CT Vision
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price will be determined for the purpose of the Share Offer, which is expected to be on or around Thursday, 6 August 2020, and in any event, not later than Wednesday, 12 August 2020
“Public Offer”	the conditional offer of the Public Offer Shares for subscription to members of the public in Hong Kong at the Offer Price as further described in the headed “Structure and Conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer named in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 July 2020 entered into between, among others, our Company, our executive Directors, the Controlling Shareholders, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in respect of the Public Offer, details of which are further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation arrangement undertaken by our Group in preparation for the Listing, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	collectively the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to a resolution passed by our Shareholders on 17 July 2020, the principal terms of which are summarised in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of issued Share(s)
“Sponsor”	Ample Capital Limited, a licensed corporation for carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the sponsor to the Share Offer
“Stabilising Manager”	Forwin Securities Group Limited
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Magnificent Faith and the Stabilising Manager on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Substantial Shareholder(s)”	the substantial shareholders (having the meaning ascribed to it under the Listing Rules) of our Company
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, modified or supplemented from time to time
“Termination Agreement”	the termination agreement dated 10 September 2019 entered into between Mr. Lo and Clever Universal, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Corporate History and Development — Our Company” in this prospectus
“Track Record Period”	the period comprising FY2018, FY2019 and FY2020
“Underwriters”	collectively the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, modified or supplemented from time to time, and the rules and regulations promulgated thereunder
“WHITE Application Form(s)”	the application form(s) for use by members of the public who require(s) Public Offer Shares to be issued in the applicant’s or applicants’ own name
“YELLOW Application Form(s)”	the application form(s) for use by members of the public who require(s) Public Offer Shares to be deposited directly into CCASS
“%”	per cent

This prospectus contains explanations and definitions of certain terms used in connection with our Group’s business. The terms and their meanings used in this prospectus may not correspond to the standard industry meaning or usage of these terms. As there is no official industry classification, the classification of our services is determined based on our Directors’ knowledge and experience.

*In this prospectus, if there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities and their English translation, the Chinese version shall prevail. English translations of official Chinese names are marked with * and for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms, in particular, in the context of valuation methodology.

“CAGR”	compound annual growth rate
“conventional formwork”	a major type of formwork where timber and plywood are usually used
“formwork”	temporary mould, built by timber, plywood, aluminium and/or steel, that is erected during the course of construction projects where concrete is poured in and moulded for shape
“FSC”	an acronym for Forest Stewardship Council, an independent, non-profit and non-governmental organisation to promote responsible forest management
“GDP”	gross domestic product
“PEFC”	an acronym for the Programme for the Endorsement of Forest Certification, an international non-profit and non-governmental organisation dedicated to promoting sustainable forest management through independent third-party certification
“prefabricated formwork”	a major type of formwork where metals, such as aluminium and steel, are usually used
“sq.m.”	square metre(s)

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, in particular, in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets, some of which may not materialise or may change. These statements based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These statements are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Prospective investors are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties facing our Company, which could affect the accuracy of forward-looking statements and include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s financial position;
- our Group’s business and operating strategies and plans to achieve these strategies;
- general outlook in the industry and markets in which our Group operates;
- future developments, trends and conditions in the industry and markets in which we operate;
- changes to the regulatory environment;
- the nature of and potential for future development of our Group’s business;
- our Group’s dividend policy;
- general economic, political and business conditions in the markets in which our Group operates;
- the effects of the global financial markets and economic crisis;

FORWARD-LOOKING STATEMENTS

- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, administrative measures and the Listing Rules, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all.

Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to the Shares. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We derive a significant portion of our revenue from our five largest customers, in particular our largest customer, Hip Hing Group; and any decrease or failure to maintain business relationship with whom could materially adversely affect our business operations and financial performance

Our Group's five largest customers accounted for approximately 92.7%, 95.5% and 91.8% of our revenue for FY2018, FY2019 and FY2020 respectively, of which approximately 64.9%, 58.2% and 59.8% of our revenue were attributed to our largest customer, Hip Hing Group, during the corresponding period.

As our Group does not enter into any long-term written agreements with our customers, and that our contracts are awarded by tender on a project-by-project basis, there is no assurance that our Group would be able to retain its major customers in the future. If we are unable to secure new projects from our major customers or if there is a significant decrease in the number of projects or size of projects in terms of contract value awarded by our major customers for whatever reasons, our business, results of operations and financial performance would be materially and adversely affected when we fail to secure suitable projects of comparable size and quantity as replacement. Besides, if any of our major customers encounter liquidity problems, it may result in delay or default in settling progress payments with us, which in turn would have an adverse impact on our cash flow and financial position. We cannot guarantee that we will be able to diversify our customer base by either securing new customers or securing significant number of new projects from other customers on comparable terms in order to partly or wholly offset the loss of revenue from our major customers, in which case our business, results of operation, financial position and future prospects may be materially and adversely affected. Even if we manage to secure new customers, it would take time and resources for us to develop the relationship with new customers by adapting our systems and procedures to meet the project requirements of new customers. If we are unable to secure new customers, our business, results of operations, financial performance and future prospects may be materially adversely affected.

In relation to the material uncertainty relating to going concern for South Shore, the holding company of Paul Y. Group, who is one of our Group's top five customers during the Track Record Period, the details of which are set out in the section headed "Summary — Recent Development and Material Adverse Change" in this prospectus. For FY2018, FY2019 and FY2020, 8.2%, 20.8% and 19.6% of our revenue were attributed to Paul Y. Group respectively. As at the Latest Practicable Date, our Group is still providing formwork services to Paul Y. Group and had no intention to halt the business relationship with Paul Y. Group. Nevertheless, if any part or whole of our business relationship with Paul Y. Group is halted due to South Shore's defaults and the bank's demand under the facility agreement or any financial difficulties on the part of South Shore and we are unable to secure new customers, our business, results of operations, financial performance and future prospects may be materially and adversely affected.

RISK FACTORS

In addition, as our revenue is concentrated in the hands of several major customers (in particular from our largest customer, Hip Hing Group), our business and results of operations are particularly susceptible to the business, financial condition and commercial success of these major customers, which depend, to a significant extent, on their continuing ability to act as suppliers to their own customers and sustained demand for their construction and engineering services. Any deterioration in the business of our major customers may lead to a decline in their project orders placed with us or a change in relationship between our Group and these major customers. If any of our major customers become financially incapable of or unwilling to make payments to our Group in a timely manner, our Group may be unable to recover trade receivables and thereby materially adversely affect our cash flow and financial position.

Our Group's revenue is non-recurring in nature and failure to secure new projects would materially and adversely affect our Group's business, results of operations, financial position and future prospects

As our projects are entered into on a project-by-project basis following a competitive tendering process, our revenue is therefore non-recurring in nature. For FY2018, FY2019 and FY2020, our tender success rate was approximately 36.4%, 34.4% and 33.3% respectively. There is no assurance that (i) our Group would be invited to or be informed of the tendering or bidding process for new projects; (ii) the terms and conditions of potential new contracts would be comparable to our existing contracts; (iii) our customers would continue to include our Group in the tendering process; and (iv) our tenders would be selected by our customers. If we are unable to maintain our competitiveness in, among other things, standards of management, industrial expertise, financial capability, reputation, regulatory compliance and terms and conditions of our tenders, our Group may be less likely to be selected as subcontractor for new projects. If our customers cease to engage us to provide formwork services and we fail to replace such customers in a timely manner, our business, results of operations and financial position may be materially and adversely affected.

It is crucial for our Group to secure new projects of similar or larger contract value through successful tendering on a continuous basis. The factors affecting our tender success rate primarily include our tender price, performance track record, manpower resources and our management and industrial expertise. Our past tender success rate is not indicative of future results and there is no assurance that we will achieve the same or higher tender success rate in the future. In the competitive tendering process, we may have to lower our service fees or offer more favourable terms to our customers in order to increase the competitiveness of our tenders, thereby reducing our profitability. If our mark-up margin is too low, we may not be able to cover the potential financial impact under any unfavourable circumstances during project implementation. If we are unable to reduce our costs to maintain our competitiveness in the tendering process, our business and results of operations would be adversely affected. In the event our Group is unable to secure new tenders and/or obtain new projects from existing or potential new customers via the competitive tendering process, there may be a significant decrease in our revenue which may materially and adversely affect our business, results of operations, financial position and future prospects.

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The recent occurrence of COVID-19 in Hong Kong may significantly and adversely impact our business operation, financial performance and future prospects

The recent occurrence of COVID-19 in Hong Kong since January 2020, which was originated from Wuhan, the PRC, has increased uncertainties to the economy in Hong Kong in 2020, which has already been weakened by anti-government protests since June 2019 and the US-China trade tension. For 2019 as a whole, real GDP in Hong Kong contracted by approximately 1.2%, being the first annual decline since 2009. Worse still, GDP for the first quarter of 2020 contracted by approximately 8.9% on an annual basis. Our Directors consider that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be materially and adversely affected.

In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new construction projects, thus delaying or reducing the number of new projects to be awarded to us. Health safety risks during the occurrence of COVID-19 may also lead to labour shortage, increase in wages of the workers and/or interruption of our business operation, delaying the work progress of our projects as a result. In case of any infection report of COVID-19 found in construction sites, the Hong Kong government will likely suspend the operation of the sites for health safety reasons and our workers may be prevented from working on site, and thereby resulting in unexpected delay to the progress of our projects. Such delay and suspension may affect our ability to discharge the contractual obligations owed to our customers, which may cause material and adverse impact to our business operation and financial performance. Since a large portion of formwork materials are supplied from the PRC, any temporary closure of suppliers' production facilities, transportation restrictions and boundary control may lead to a disruption of our supply chain and delay the progress of our ongoing projects. The above adverse impacts, especially if they materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance. Furthermore, if we cannot receive the payments from our customers in a long term due to delay or suspension of our projects under the outbreak of COVID-19, we may not be able to undertake more projects in the near future because our internal resources as well as our existing banking facilities would not be sufficient to support our expansion plan, which may adversely affect our financial position and future prospects.

The state of political environment in Hong Kong may adversely affect our business operation and financial performance

For instance, in second half of 2019 there had been a series of protests and strikes triggered by the opposition to the extradition bill proposed by the Hong Kong government. The frequency and magnitude of effect brought by the protests or strikes are beyond our control. Such protests and strikes may cause disruption to transportation or even interruption of construction sites, which may result in delay in the progress of our projects and thus result in material and adverse impact to our business operation and financial performance.

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In the event such social unrest persists, the property market and the construction industry could be adversely affected, and it may also lead to delay in the award of the potential projects bid by us, which may in turn have an adverse impact on our business operation, financial performance and future prospects.

Our Group may need to incur various upfront costs before receipt of payments from customers, and such cash flow mismatch may materially and adversely affect our liquidity and financial position

In undertaking our project works, we may incur various upfront costs, including (i) payment to our subcontractors; (ii) payment of material costs; (iii) direct labour costs to our workers; and (iv) other costs such as utilities and insurance, as required.

Our Group's cash inflows mainly comprise progress payments from our customers. Our customers will pay progress payments after our works has commenced and the value of the completed works is confirmed and certified by our customers. Our customers will generally retain a maximum amount of 5% of the total contract sum as retention money, which will be released if no defects are found in our works. For further details of progress payments and retention money, please refer to the section headed "Business — Our Business Model and Operation Flow — (4) Project completion and defects liability period" in this prospectus. The retention money held by our customers for FY2018, FY2019 and FY2020 amounted to approximately HK\$118.6 million, HK\$87.6 million and HK\$105.3 million respectively.

The greater the number of projects our Group is required to carry out, the larger the upfront costs our Group will likely have to incur. This may lead to a significant outflow of financial resources within a short period of time, and our cash flows and financial position may deteriorate due to the potential timing mismatch between receipt of progress payments from our customers, and payments to our suppliers and subcontractors. There is no assurance that our customers will make progress payments on time or that the retention money will be released in a timely manner or in full after the inspection process of completed works, which may in turn give rise to disputes. When there is delay in the inspection process or when a dispute arises in respect of certification of works by our customers, it may result in delay of progress payments. Furthermore, in the course of project implementation, our customers may also place orders to change the original design or specifications or require additional works or reduce the scope of our works. However, such additional works may not be fully covered under the scope of variation orders set out in the original terms of contract. As such, there may be occasions where additional fees cannot be determined or generally agreed upon with our customers before the commencement of such additional works, and we may only receive part of the progress payments during the course of the project. Any failure by our customers to make progress payments to us or release the retention money may have a material adverse impact on our liquidity and financial position.

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There is also no assurance that we will not record negative operating cash flows in the future. Net cash outflows from operating activities may adversely affect our liquidity position, and reduce our financial flexibility and our ability to obtain additional borrowings from banks, which in turn may adversely affect the implementation of our future plans.

Failure to receive progress payments on time and in full or recover our contract assets, or that retention money is not fully released to our Group after expiry of the defects liability period may affect our Group's liquidity position and expose our Group to credit risks in relation to trade receivables and contract assets owed by our customers

Our Group receives progress payments, usually on a monthly basis, with reference to the value of the works completed and certified by architects, surveyors or other representatives appointed by our customers. Generally, the value of the works completed is assessed by our customers who will certify our Group's payment applications according to the amount of work completed during that month. Our Group usually allows a credit period of up to 60 days to our customers. As at 31 March 2018, 2019 and 2020, the balance of our trade receivables amounted to approximately HK\$77.3 million, HK\$83.1 million and HK\$28.4 million respectively. The substantial drop in trade receivables as at 31 March 2020 was mainly as a result of an increase in our contract assets which was the works completed but yet to be certified and not recognised as our trade receivables as at 31 March 2020.

In addition, in most contracts with our customers, our Group's customers have the right to withhold 10% of each progress payment as retention money, which will only be released to us subsequent to the expiration of the defects liability period ranging from six to 24 months. As at 31 March 2018, 2019 and 2020, retention receivables held by our Group's customers amounted to approximately HK\$118.6 million, HK\$87.6 million and HK\$105.3 million respectively. Please refer to Note 14(b) of Appendix I in this prospectus.

Any amount previously recognised as contract assets is reclassified to trade receivables when such right becomes unconditional other than the passage of time. As at 31 March 2018, 2019 and 2020, the balance of contract assets were approximately HK\$166.4 million, HK\$107.5 million and HK\$184.8 million respectively.

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Our Group determines our price based on the estimated time and costs required to complete the works, but the actual time and costs incurred may exceed our estimation due to unexpected circumstances, and such discrepancy may adversely affect our business, results of operations and financial performance

Our Group's pricing model depends on our estimation of the costs to be incurred for each project plus a mark-up for the desired profit margin. An accurate estimation of costs is therefore crucial for maintaining our Group's business growth and profitability.

However, the actual time and costs involved in completing our projects may be adversely affected by various factors that are beyond our control, including but not limited to, shortage and cost escalation in materials and direct labour, condition of the construction sites, on-site project arrangement by our customers, inefficiency and delay caused by errors, adverse weather conditions, disputes with our customers or subcontractors, change in design by our customers, worksite accidents and changes in governmental policies. In such an event, our Group may have to bear additional costs for completing and delivering the works within the requisite timeframe. We may also be required to pay our customers liquidated damages for the delay in completion of works. Any previous delay in the delivery of our works may also be taken into consideration by our customers during the course of the competitive tendering process, and thus may have an adverse impact on our chances of winning future tenders.

In particular, labour cost (including workers of our subcontractors and us) is the major cost for our construction projects. If there is any unexpected significant increase in labour cost, we may not be able to shift the costs to our customers due to the competitive market environment and/or contractual provisions with our customers, which may result in adverse effect to the financial performance of our Group.

We may record a net cash outflow in operating activities

The fluctuation in our operating cash flow may result from a number of business activities of our Group such as changes in trade and other receivables to our customers and the changes in trade and other payables to our subcontractors and suppliers. We may face liquidity risk from time to time as a result of the mismatch of our operating cash flow in any event we cannot settle our upfront cost and working capitals required in the form of our trade payables by converting our trade receivables and contract assets into cash. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we have a net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

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Changes in subcontracting charges and unsatisfactory performance by our subcontractors may adversely affect our business, results of operations, reputation and financial performance

Depending on the availability of our Group's manpower resources, cost effectiveness, complexity of projects and requirements of our customers, our Group would subcontract certain parts in particular projects to other contractors in the industry. In selecting subcontractors for a project, our Group will evaluate them based on their technical capability, pricing, labour resources and performance by way of their track record. The subcontracting charges incurred by our Group for FY2018, FY2019 and FY2020 amounted to approximately HK\$630.9 million, HK\$347.4 million and HK\$304.8 million respectively.

There is no assurance that our Group will be able to select suitable subcontractors on favourable terms and fees in the first place. Even if suitable subcontractors are engaged after careful selection, there is no assurance that they will be able to complete their work within the requisite time or of satisfactory quality. In such an event, our Group's business, results of operations, reputation and financial performance may be adversely affected.

If our Group or our subcontractors encounter any shortage of labour, industrial action or strikes, our business, results of operations and financial performance would be adversely affected

Our Group relies on a stable workforce from our direct labour or workers from our subcontractors to provide formwork service and other construction services. During the Track Record Period, our projects had not encountered any strikes, industrial actions or material labour shortage that affected our business operations. However, there is no assurance that (i) we or our subcontractors are able to recruit or retain sufficient workers; or (ii) strikes or industrial actions will not be launched in the future; or (iii) there will be sufficient supply of labour in the future. Such shortage of labour, industrial actions or strikes may adversely affect our business, results of operation and financial performance.

Our Group may be liable for defective works in its projects

Our Group provides a defects liability period typically ranging from six to 24 months from the date of practical completion. During the said period, our customers generally retain a maximum amount of 5% of the total contract sum as retention money, only to be released if no defects are found in our works. However, if during the defects liability period, any aspect of the works completed by our Group are found to be defective, our Group would be responsible for rectifying such defects at the request of customers. Furthermore, there is no assurance that the work may be rectified to our customers' satisfaction so that the customers would release the retention money on time or in full. In such an event, the profitability, financial position and reputation of our Group may be adversely affected.

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We rely on the expertise and experience of our key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with requisite industry expertise. Our executive Directors and senior management are therefore important to our Group in providing business leadership, overseeing tender preparation, managing our projects, maintaining customer relationship, as well as other matters such as ongoing compliance requirements regarding registration and safety.

In particular, we rely on the management and leadership of Mr. Lo who has over 30 years of experience in the civil engineering and construction fields in Hong Kong and Macau. Since the establishment of our Group, Mr. Lo has been responsible for a range of our Group's operations including overseeing the business development and formulating our business strategies. Details of the expertise and experience of our executive Directors and senior management are set out in the section headed "Directors and Senior Management" in this prospectus. If any of our executive Directors or members of senior management ceases to serve our Group in the future, it may be difficult for our Group to find a suitable replacement in a timely manner. In such an event, our business operation, financial performance and expansion plans may be adversely affected.

Our or our subcontractors' employees may suffer injury due to accidents in construction sites, and such injury claims or litigations may adversely affect our Group's business operations, financial position and reputation

It is not uncommon in the construction industry for occurrence of accidents causing injury or death to the employees or workers of our Group or our subcontractors. In the event of non-compliance with safety measures leading to serious personal injuries or death, our Group may be liable to employees' compensation claims, common law personal injury claims as well as criminal prosecution by relevant governmental authorities. As at the Latest Practicable Date, our Group was involved in 22 ongoing employees' compensation applications and 12 ongoing personal injury claims resulting from (i) 25 workplace accidents occurred during the Track Record Period and up to the Latest Practicable Date; and (ii) six workplace accidents occurred before the Track Record Period, details of which are set out in the section headed "Business — Litigation, Arbitration and Potential Claims — Litigation in relation to employees' compensation claims and common law personal injury claims against our Group" in this prospectus. In addition, there were 45 workplace accidents occurred to workers of our Group during the Track Record Period and up to the Latest Practicable Date (details of which are set out in the section headed "Business — Occupational Health and Safety — Accidents during the Track Record Period" in this prospectus), out of which 34 accidents may give rise to potential employees' compensation claims and/or potential personal injury claims against our Group, where the limitation periods for the workers to commence such claims have not been expired. For details of such potential claims, please refer to the section headed "Business — Litigation, Arbitration and Potential Claims — Potential claims" in this prospectus. These ongoing and potential employees' compensation claims and/or personal injury claims may adversely affect our Group's business operations, financial position and reputation.

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We may also be involved in disputes with our suppliers, subcontractors and other project parties from time to time in respect of various matters, including but not limited to measurement issues, variation orders, as well as other project related claims, such as complaints about the quality of completed works. Disputes may also arise between our customers and us as to assessment of costs, value of work properly done and subsequent payments to be made. There is no assurance that we may be able to resolve disputes by way of negotiation or out-of-court settlement with the relevant parties. In the event that the matters proceed to court or arbitration and our Group fails to obtain a favourable ruling, we may be liable to pay damages, costs and interests in relation to these disputes, and thereby adversely affect our business operations, financial position and reputation.

Our Group is exposed to non-compliance incidents, disputes, claims and litigations which may adversely affect our business operations and financial performance

During the Track Record Period, our Group was involved in certain non-compliance incidents, details of which are set out in the section headed “Business — Non-compliance” in this prospectus. In the event that our Group fails or continues to fail to comply with the applicable laws, rules and regulations, our Group may be liable to prosecution and/or fines, which may adversely affect our business operations and financial performance.

During the Track Record Period and up to the Latest Practicable Date, save for the claims against our Group (no matter actual, pending, threatened or known to our Directors) which were generally related to work accidents arising out of the ordinary course of our business, details of which are set out in the section headed “Business — Occupational Health and Safety” in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance. For further details, please refer to the section headed “Business — Litigation, Arbitration and Potential Claims” in this prospectus.

Our Group may also be subject to claims in respect of various matters from our customers, suppliers, subcontractors, workers and/or other parties concerned with the projects from time to time. Such claims may include, but not limit to, claims for damages due to late completion of works, delivery of unsatisfactory works, disputes relating to late or insufficient payments and claims in respect of personal injuries and labour compensation. Any such claims may cause our Group to incur material costs or losses, which may adversely affect our business operations and financial performance.

Our Group’s insurance coverage may not be sufficient to cover all losses or potential claims which may affect our business, results of operations and financial position

Our Group has maintained insurance policies for employees’ compensation of our office staff and third party liabilities. The main contractors are generally responsible for effecting suitable insurance policies for employees’ compensation, contractors’ all risk and third party liabilities in respect of the persons working at the construction sites (including our Group’s direct labour and workers from our subcontractors) on a project-by-project basis. There is no assurance that the insurance maintained by our Group or the main contractors and/or the property developers will be able to cover or mitigate all potential risks and losses affecting our Group. Even if the risks and losses are

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covered by insurance, there is no assurance that the insurance will indemnify our Group from the losses in full. In the event that our Group fails to report any accident or claim affecting our Group to the relevant insurance company in a timely manner and in accordance with the terms and conditions of the related insurance policies, the insurance company may refuse to provide coverage or compensation to our Group. In any event, if the insurance is unable to cover, or to fully indemnify our Group from these losses for any reason, our Group may be required to pay hefty compensations which may adversely affect our business, results of operations and financial position.

Our Group's continuing success depends on our reputation, and any damage to our reputation could adversely affect our business, results of operations and future prospects

We believe our success in the past was largely dependent on our reputation through the performance of previous projects and our track record. However, our reputation may be damaged by various factors including adverse publicity, customers' dissatisfaction over our services, misconduct or negligence committed by our staff, subcontractors or suppliers, and accidents giving rise to injuries to our staff or workers from our subcontractors. If our customers are dissatisfied with our services or if incidents attracting adverse publicity arise, such damage to our reputation may reduce our customers' confidence in our services and could result in adverse impact to our business, results of operations and future prospects.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin

For FY2018, FY2019 and FY2020, our Group recorded revenue of approximately HK\$1,013.7 million, HK\$525.2 million and HK\$685.9 million respectively. During the corresponding period, our gross profit margin amounted to approximately 7.6%, 10.7% and 10.7% respectively. For discussions as to our results of operations, please refer to the section headed "Financial Information — Discussion and Analysis of Financial Performance and Results of Operations of Our Group" in this prospectus.

There is an inherent risk in relying on such historical financial information to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market condition of the construction industry in Hong Kong, intensification of competition, aggravation in labour shortage, and other unforeseen factors such as adverse weather and construction site conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. There is no assurance that we are able to maintain gross margin or net profit margin at a similar level or better in the future. Investors should not rely solely on our historical financial information as an indication of our future financial or operating performance.

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RISKS RELATING TO OUR INDUSTRY

Weather conditions, natural disasters, acts of God and other events may have negative impacts on the civil engineering and building construction industry

Weather conditions, natural disasters and acts of God which are beyond our control may materially and adversely affect the economy, the civil engineering and building construction industry and our business. Political unrest may also cause damage or disruption to our business, our employees and our markets. All these events may lead to downturn of our business operations and financial position. In addition, riots, power failures, fire or explosions or other natural disasters may cause disruption to our operations or delays in our delivery schedules. Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the construction industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer, which will in turn adversely affect our business and results of operations.

Our business is subject to risks relating to the legal environment in Hong Kong

Our revenue is principally derived from Hong Kong and our business operations are therefore subject to the laws of Hong Kong. We cannot guarantee that the legal environment in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong. If there is any material adverse change in the legal environment in Hong Kong, our business, results of operations and financial position may be adversely affected.

Construction industry is highly labour intensive and we rely on a stable supply of labour to carry out our projects

Construction projects involve labour intensive works. Large number of workers of various trades with different skills are required within a relatively short time frame, in general about 12 to 24 months, for implementation of our projects.

There is no assurance that the supply and the labour cost will be stable going forward. In the event that we or our subcontractors fail to retain the existing labour and/or mobilise sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the labour cost, we may not be able to complete our projects within the requisite time and our budget. Under such circumstances, our business operations and financial performance may be adversely affected.

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We operate in a competitive industry

We operate in a highly competitive industry in which our competitors include various foreign, Hong Kong and PRC-based contractors that can provide services similar to ours at a competitive price. Some of our competitors may have stronger brand names, larger capital base, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources. Due to the open nature of the markets in which we operate, additional competitors with significant market presence and financial resources may enter into the market, provided that they have the relevant expertise or project reference and are granted the requisite licences, and thereby intensifying the competition. These competitors may reduce our market share by adopting more aggressive pricing policies than we can or by providing services that can gain wider market acceptance than what we can offer. Existing and potential competitors may also develop relationships with our customers in a manner that may significantly harm our ability to secure or obtain contracts from them.

Our market position depends on our ability to anticipate and respond to various competitive factors, including price, effective cost control, customer relationship, technical expertise, quality assurance and timely completion of the projects to meet customers' schedules. There is no assurance that competition will not intensify in the future. If we fail to maintain or improve our market position or fail to adapt to the changing competitive landscape, our business, results of operations, financial position and future prospects may be materially and adversely affected.

We are exposed to environmental liability

Our operations are subject to certain laws and regulations in relation to environmental protection. Included in the section headed "Business — Environmental Compliance" in this prospectus are the measures and work procedures that are required to be followed by our operation staff and workers in respect of environmental protection compliance. Our Directors consider that our measures and work procedures adopted are appropriate and adequate.

During the Track Record Period, our Directors confirm that we have not violated any applicable environmental laws and regulations which would have had a material impact on our business, results of operations or financial performance. In the event that our Group fails to comply with the relevant laws and regulations in relation to environmental protection, we may be imposed fines and penalty by relevant authorities which would adversely affect our business, results of operations and financial performance.

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Our Group's revenue during the Track Record Period was derived from the operations in Hong Kong and any downturn in the Hong Kong market may adversely affect the contract prices and hence our results of operations, financial performance and future prospects

During the Track Record Period, the revenue of our Group was derived solely from our operations in Hong Kong and hence our construction projects are generally heavily dependent on the economic condition of Hong Kong, in particular, the growth in the retail and property markets. Any downturn in the economy of Hong Kong, in particular the retail and property markets, may have an adverse impact on our Group's business and financial performance due to potential delay or cancellation of construction projects. Furthermore, unforeseen circumstances such as natural disasters, economic recession, outbreak of an epidemic and any other incidents happening in Hong Kong may also adversely affect our Group's business, results of operations, financial performance and future prospects.

Changes in the rules and regulations governing the construction industry, the licensing regime and other health, occupational safety and environmental responsibilities may adversely affect our business operations and financial performance

Under the relevant laws of Hong Kong, contractors undertaking construction works are required to comply with certain health, occupational safety and environmental responsibilities. In the event that there is any change in the current regulatory regime that governs the construction industry, we may have to incur additional costs in complying with the new regulatory requirements, failing which may lead to regulatory non-compliances and, in turn, adversely affect our business operation and financial performance.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has not been any prior public market for the Shares and an active trading market may not develop

Prior to the Share Offer, no public market for the Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. There is no assurance to our investors that an active trading market for the Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that the Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for the Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of the Shares could be materially and adversely affected.

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The trading volume and share price of the Shares may fluctuate

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of our new services and/or investments, strategic alliances and/or acquisitions, fluctuations in market prices for our services or fluctuations in market prices of comparable companies, changes of senior management of our Group, changes in regulations or governmental policies towards our industry, and general economic conditions.

Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on the Main Board have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

Since there will be a gap of several days between the closing of application lists and the trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before the trading of the Offer Shares begins

The range of the Offer Price of the Shares is HK\$0.52 to HK\$0.64. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the closing of application lists. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavourable market conditions, or other adverse effects, that could occur between the time of the closing of application lists and the time trading begins.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.30 per Share and approximately HK\$0.33 per Share based on the Offer Price of HK\$0.52 per Offer Share and HK\$0.64 per Offer Share respectively, on the basis that 1,000,000,000 Shares were in issue and the Share Offer and the Capitalisation Issue were completed.

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Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of our Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

The Shares held by our Controlling Shareholders are subject to lock-up beginning on the date on which trading in the Shares commences on the Main Board. There is no assurance that the Controlling Shareholders will not dispose of the Shares held by them after the lock-up period. Our Group cannot predict the effect, if any, of any future sales of the Shares by any Controlling Shareholders, or Substantial Shareholders or the availability of Shares for sale by any Controlling Shareholder or Substantial Shareholders may have on the market price of the Shares. Sales of a substantial amount of Shares by any Controlling Shareholder or Substantial Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or our future dividend policy

On 12 September 2019, we declared interim dividends in the sum of approximately HK\$43.2 million for FY2020 to Mr. Lo, our then sole Shareholder, which has been settled by current account using internal resources before Listing. The dividend distribution recorded in the past may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to our Shareholders in the future after Listing. Our ability to pay dividends or make other distributions to our Shareholders is subject to the future financial performance and cash flow position of our Group. We may not be able to distribute dividends to our Shareholders as a result of the abovementioned factors.

Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Our Group may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to our Shareholders.

RISK FACTORS

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs of our Company are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Law is set out in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Directors believe the sources of these statistics and facts are appropriate for such statistics and facts and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Directors have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

RISK FACTORS

Investors should not rely on any information contained in press articles or other media regarding our Group or the Share Offer

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections, valuations and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus and the related Application Forms in making any decision as to whether invest in the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer, which comprises the Public Offer and the Placing. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective officers, affiliates, employees, agents, representatives or advisers or any other person involved in the Share Offer.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

Details of the procedures for application for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

UNDERWRITING

The Listing is sponsored by the Sponsor. The Share Offer is managed by the Joint Global Coordinators. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the final Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 12 August 2020, the Share Offer will not proceed and will lapse immediately. For further details about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or by his/her/its acquisition of the Offer Shares will be deemed to, confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus and the relevant Application Forms and that he/she/it is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue, Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Pursuant to section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Committee.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at all times after the Listing, our Company must maintain the minimum prescribed percentage of 25% in the hands of the public (as defined in the Listing Rules).

No part of our Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisers for the details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 14 August 2020. The Shares will be traded in board lots of 4,000 Shares each. The stock code for the Shares is 9913.

Our Company will not issue any temporary documents of title.

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our Company's branch register of members, which is to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Tricor Investor Services Limited. Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar and transfer office, Ocorian Trust (Cayman) Limited. Only Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained in the Cayman Islands will not be subject to the Cayman Islands stamp duty except where our Company holds interests in land in the Cayman Islands.

Unless decided otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to our Shareholders listed on our Company's branch register of members to be maintained in Hong Kong, by ordinary post, at our Shareholders' risk, to the registered address of each Shareholder or, in the case of joint holders, to the first-named holder therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

If prospective investors are unsure about the taxation implications of the subscription for or purchase, hold or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, affiliates, employees, agents, representatives or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, hold or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, total of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or millions or units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Lo Hon Kwong (盧漢光先生)	Ground Floor, Block 19 Double Haven 52 Ma Lok Path, Kau To Shan New Territories Hong Kong	Chinese
Ms. Chan May Kiu (陳美嬌女士)	Ground Floor, Block 19 Double Haven 52 Ma Lok Path, Kau To Shan New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Dr. Yang Tao (楊濤博士)	Room 202, No. 14 Taicheng Garden Xuanwu District Nanjing City Jiangsu Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Sr. Dr. Leung Tony Ka Tung (梁家棟博士測量師)	Flat B6, 7/F Coral Court 51 Cloud View Road North Point Hong Kong	Chinese
Ms. Chan Sze Man (陳詩敏女士)	Flat F, 20/F, Tower 6 Harbour Green 8 Sham Mong Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Jiang Jungan (姜俊淦先生)	Room 504, Block 6 Xinjin Court No. 68 Kaifang Avenue Tinghu District Yancheng City Jiangsu Province PRC	Chinese

For further information on the biographies of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong <i>(A licensed corporation carrying on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)</i>
Joint Global Coordinators	Alpha Financial Group Limited Room A, 17/F Fortune House 61 Connaught Road Central Central Hong Kong Forwin Securities Group Limited Unit B, 32/F, Tower One Lippo Centre 89 Queensway Admiralty Hong Kong
Joint Bookrunners and Joint Lead Managers	Forwin Securities Group Limited Unit B, 32/F, Tower One Lippo Centre 89 Queensway Admiralty Hong Kong Alpha Financial Group Limited Room A, 17/F Fortune House 61 Connaught Road Central Central Hong Kong
Joint Lead Managers	AFG Securities Limited Room B, 17/F Fortune House 61 Connaught Road Central Central Hong Kong China Tonghai Securities Limited 18/F-19/F China Building 29 Queen's Road Central Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

CIS Securities Asset Management Limited

21/F
Centre Point
181-185 Gloucester Road
Wanchai
Hong Kong

Eddid Securities and Futures Limited

23/F
YF Life Tower
33 Lokhart Road
Wanchai
Hong Kong

Enhanced Securities Limited

37/F
Times Tower
393 Jaffe Road
Wanchai
Hong Kong

Plutus Securities Limited

8/F
80 Gloucester Road
Wanchai
Hong Kong

President Securities (Hong Kong) Limited

Units 2603-06, 26/F
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Rifa Securities Limited

Level 7
28 Hennessy Road
Hong Kong

Roofer Securities Limited

7/F
Pearl Oriental House
60 Stanley Street
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law
Hastings & Co.
5/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Ms. Kennis Tai
Barrister-at-law, Hong Kong
Room 1401, Tower One
Lippo Centre
89 Queensway
Admiralty
Hong Kong

As to the PRC law
China Commercial Law Firm
21st – 24th Floor
Hong Kong China Travel Service Tower
No. 4011 Shennan Road
Futian District
Shenzhen
PRC

As to the Cayman Islands law
Appleby
2206-19
Jardine House
1 Connaught Place
Central
Hong Kong

**Legal advisers to
the Sponsor and
the Underwriters**

As to Hong Kong law
H.Y. Leung & Co., LLP
22/F
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

**Auditor and
reporting accountant**

PricewaterhouseCoopers
*Certified Public Accountants
Registered Public Interest Entity Auditor*
22/F
Prince's Building
Central
Hong Kong

Market research consultant

Frost & Sullivan Limited
1706
One Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Rooms 1008 and 1009, 10/F China Shipbuilding Tower 650 Cheung Sha Wan Road Kowloon Hong Kong
Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Company's website address	www.chikanck.com <i>(Information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Cheng Wai Hei (鄭偉禧先生) (FCCA, ACS, ACIS) Flat 1514, 15/F, Block U Telford Gardens 33 Wai Yip Street Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Lo Hon Kwong (盧漢光先生) Ground Floor, Block 19 Double Haven 52 Ma Lok Path, Kau To Shan New Territories Hong Kong Mr. Cheng Wai Hei (鄭偉禧先生) Flat 1514, 15/F, Block U Telford Gardens 33 Wai Yip Street Kowloon Hong Kong
Audit Committee	Ms. Chan Sze Man (陳詩敏女士) (<i>Chairlady</i>) Sr. Dr. Leung Tony Ka Tung (梁家棟博士測量師) Mr. Jiang Jungan (姜俊淦先生)
Remuneration Committee	Sr. Dr. Leung Tony Ka Tung (梁家棟博士測量師) (<i>Chairman</i>) Ms. Chan Sze Man (陳詩敏女士) Mr. Jiang Jungan (姜俊淦先生)

CORPORATE INFORMATION

Nomination Committee	Mr. Lo Hon Kwong (盧漢光先生) (<i>Chairman</i>) Sr. Dr. Leung Tony Ka Tung (梁家棟博士測量師) Ms. Chan Sze Man (陳詩敏女士)
Cayman Islands principal share registrar and transfer office	Ocorian Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong <i>(A licensed corporation carrying on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)</i>

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter, or any of their affiliates or advisers, nor any other party involved in the Share Offer except Frost & Sullivan and no representation is given as to its accuracy. Our Directors believe, after taking reasonable care, that there has been no material adverse changes in the market information since the date of issue of the Frost & Sullivan Report which maybe qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the construction market and formwork services market in mainland China and Hong Kong for the period from 2014 to 2024. We paid Frost & Sullivan a fee of HK\$650,000, which we believe reflects market rates for reports of this type.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the construction market and formwork services market in mainland China and Hong Kong for the prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the construction market and formwork services market in mainland China and Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2019 to 2024. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that (i) the economy in mainland China and Hong Kong are likely to maintain stable growth in the next decade; (ii) the country and regions' social, economic and political environment are likely to remain stable in the forecast period; and (iii) the construction market and formwork services market in mainland China and Hong Kong are expected to grow based on the key industry drivers including higher downstream demand and strong capital support.

INDUSTRY OVERVIEW

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has more than 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in the PRC and direct access to the knowledgeable experts and market participants in the construction market and its industry consultants, on average, have more than three years of experience.

DIRECTORS' CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF CONSTRUCTION MARKET

Introduction

Generally, a construction project usually goes through several steps, ranging from business development, project planning, project acceptance to construction execution. Construction projects can be segmented based on end-uses including residential sector and non-residential ones, where the residential sector includes residential flats and the non-residential sector mainly consists of department buildings, transportation and ancillary facilities, offices, industrial properties, recreational facilities and so forth. Meanwhile, construction projects could also be classified according to different types of works, which generally includes building construction, civil engineering works, building services and maintenance and other specialised construction activities. Moreover, based on different types of sites where construction works are conducted, construction works could also be segmented into projects for the public and private sector respectively.

Construction Market in Hong Kong

Market size of construction industry

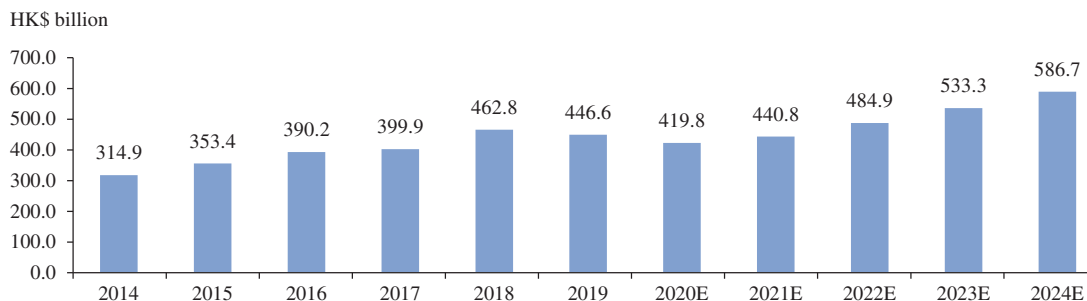
The market size of the construction industry in Hong Kong as measured by gross value grew from approximately HK\$314.9 billion in 2014 to HK\$446.6 billion in 2019 at a CAGR of approximately 7.2%, which was attributable to the commencement of sizable development projects such as the Central-Wan Chai Bypass, the extension of Tung Chung New Town and so forth in 2016.

With the government's efforts in improving infrastructure such as the construction of the Shatin to Central Link for extending railway network and increasing housing supply, it is expected that the construction market in Hong Kong will keep stable growth in the foreseeable future, growing at a CAGR of approximately 5.6% from 2019 to 2024 and reaching approximately HK\$586.7 billion by the end of 2024. The expected decrease between 2019 and 2020 was mainly due to the epidemic of COVID-19 that will delay the delivery of projects.

INDUSTRY OVERVIEW

Market size of construction market (Hong Kong), by gross value, 2014-2024E

	2014-2019	2019-2024E
CAGR	7.2%	5.6%



Source: HKSAR Census and Statistics Department, Frost & Sullivan

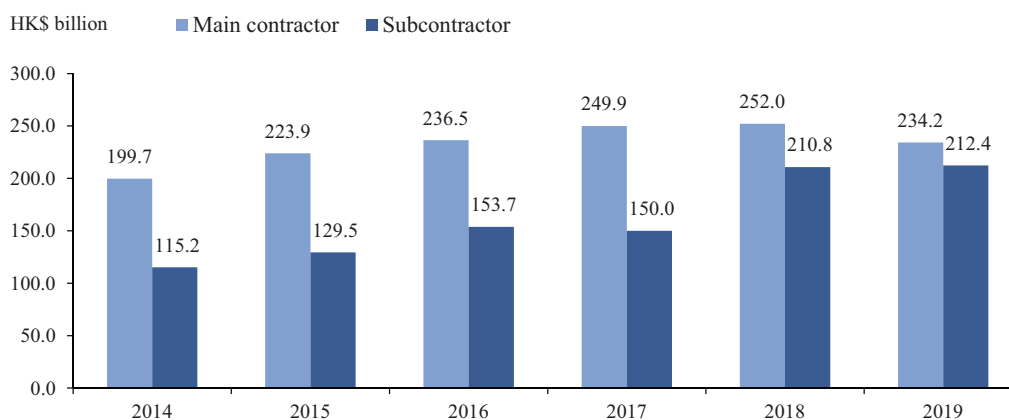
Market size breakdown

Gross value from main contractors kept growing over the period from 2014 to 2019 where gross value from subcontractors grew at a higher CAGR of approximately 13.0% during the same period with the gross value from main contractors and subcontractors reaching approximately HK\$234.2 billion and HK\$212.4 billion in 2019 respectively.

The comparatively rapid growth of the segment of subcontractor indicates that it tends to become a trend that main contractors would like to subcontract professional works and services to specialised subcontractors to ensure project efficiency and cost effectiveness.

Market size breakdown of construction market (Hong Kong), by gross value, 2014-2019

CAGR	2014-2019
Main contractor	3.2%
Subcontractor	13.0%



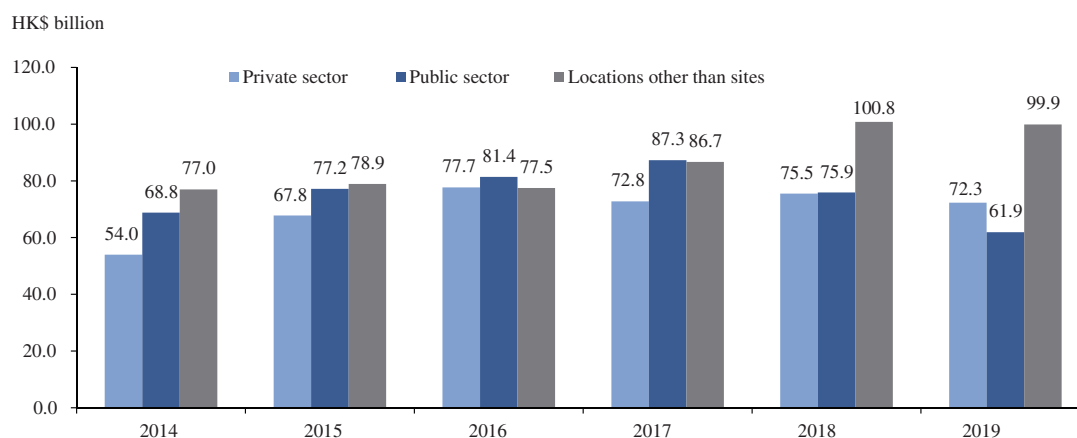
Source: HKSAR Census and Statistics Department, Frost & Sullivan

INDUSTRY OVERVIEW

Gross value from main contractors in the segment of private sector increased from approximately HK\$54.0 billion in 2014 to HK\$72.3 billion in 2019 at a CAGR of approximately 6.0% when gross value from main contractors in the segment of public sector experienced decrease during the same period. The decrease during 2019 was attributable to the temporary suspension of construction projects influenced by the protest in late 2019.

Construction works at locations other than construction sites include minor new construction activities and decoration, repair and maintenance for buildings, and electrical equipment installation and maintenance works. Gross value from this segment grew at a CAGR of approximately 5.3% from 2014 to 2019.

CAGR	2014-2019
Private sector	6.0%
Public sector	-2.1%
Locations other than sites	5.3%



Source: HKSAR Census and Statistics Department, Frost & Sullivan

Market drivers analysis

- Continuous housing supply

Both the private sector and public sector play an important role in meeting the housing needs of the community. According to the Transport and Housing Bureau, property developers started building a total of 25,500 private apartments in 2016, which was the highest annual figure since 2000 whereas the Long Term Housing Strategy announced on 16 December 2014 to build more public rental housing (PRH) units has been implemented successfully. Besides, pursuant to the announcement by the government in December 2018, the public/private housing split will be 70:30. The strong housing units supply means strong demand for building construction and thereby leads to further growth in the Hong Kong construction market accordingly.

INDUSTRY OVERVIEW

- Construction 2.0

In order to ensure the sustainable development of the construction market in Hong Kong to cope with the huge demand, the Hong Kong government has been implementing “Construction 2.0”, which outlines the productivity, regulation, quality assurance, safety and so forth. Additionally, a fund of HK\$1 billion has been established to encourage the adoption of innovative technologies to help further enhance the industry efficiency and productivity, which therefore provides impetus to the entire construction industry.

Future trends and opportunities analysis

- Developing towards innovation and technology

With advanced technology and development of industrial techniques, it is expected that the construction market in Hong Kong will also embrace the adoption of automation technology to improve its competitiveness in the long run. For instance, the mechanised prefabrication construction system is expected to be applied for the purpose to improve construction safety and cost effectiveness and to strengthen environmental protection. Besides, IT technologies such as BIM (Building Information Modelling) will also be increasingly applied by contractors in construction projects from the initial feasibility study to the latter construction stage.

- Automation and robotisation

Faced with high labour cost, the adoption of machinery that could help achieve high productivity is becoming increasingly welcomed by contractors. The new technology aerial cinematography technology has been tested in construction projects, which could monitor and record project progress. Besides, robotic research and application has been developed rapidly as well. It could be used in dangerous environments to lower the potential risk of human injuries. Automation and robotisation will innovate the Hong Kong construction market by maximising construction efficiency and reducing risks and faults.

- Training programme

As for the construction industry, the Hong Kong Institute of Construction has offered programmes accredited by the Qualifications Framework in order to attract more young talent. The programmes offer a wide range of construction-related courses, covering the field of architecture, civil and structural engineering, building engineering, mechanical and electrical services, etc. Encouraged by the participation in professional courses, it is expected that more young talents will contribute to the Hong Kong construction market, promoting the market in the long run.

INDUSTRY OVERVIEW

OVERVIEW OF FORMWORK SERVICES MARKET

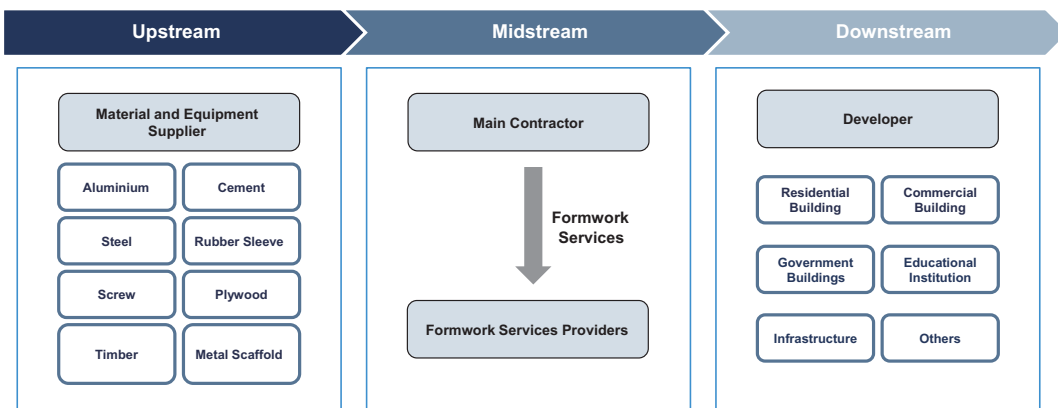
Introduction

Formwork is a kind of temporary structure used in construction projects, where concrete is poured in to be moulded. Concrete structure that is used to contain concrete is needed as it requires time for fresh concrete to harden and to get in shape. Formwork is supposed to be erected and designed by professionals, such as concreters, formwork carpenters, in order to ensure that the concrete elements will be strong enough to hold the weight of the concrete inside. Formwork services are considered as an integral part for building concrete structure and are also essential for the smooth execution of construction projects. Generally, the formwork could be segmented into two major types, which are conventional formwork where timber and plywood are usually used and prefabricated formwork where metals such as aluminium and steel are usually used.

Formwork Services Market in Hong Kong

Industry value chain analysis

In Hong Kong, government departments and project owners usually initiate construction projects including building construction projects. Tendering process needs to be performed for the Government departments to engage main contractors on the approved list of contractors. After the tendering process, main contractors would outsource different parts of construction projects to specialised subcontractors, i.e., to engage formwork services providers to perform the formwork work. Main contractors need to ensure that the project is completed on schedule and fulfills the quality and quantity requirements. Subcontractors procure suitable materials including aluminium, timber and equipment for the formwork works they are responsible for. The number of large construction projects is limited in the market and most of them are with high contract value and the construction projects are thus quite concentrated in several contract owners. Therefore, it is common for formwork services providers to rely on a few customers, thereby leading to customer concentration in the formwork services market in Hong Kong.



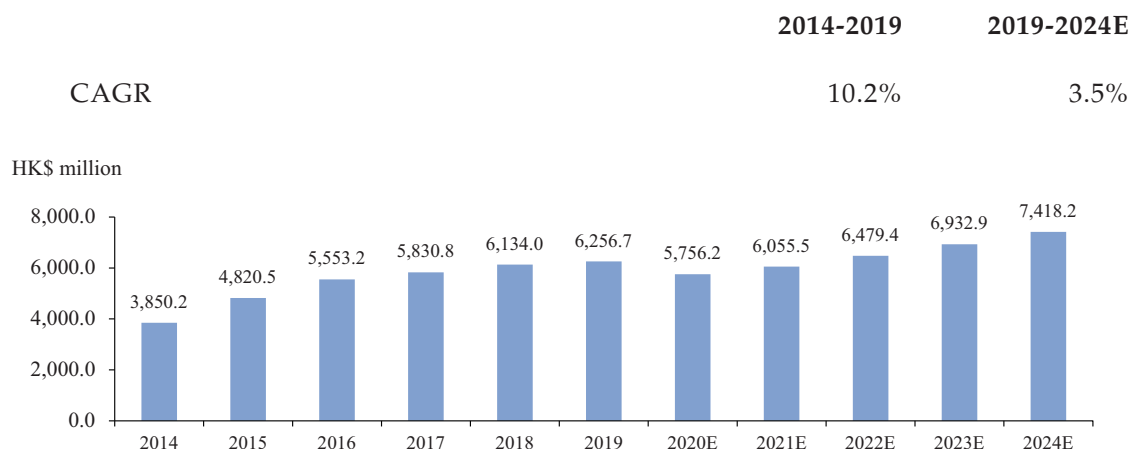
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market size of formwork services industry

Market size of the Hong Kong formwork services market as measured by revenue increased from approximately HK\$3,850.2 million in 2014 to HK\$6,256.7 million in 2019, representing a CAGR of approximately 10.2%. The continuous growth of the market over the past few years were mainly attributable to the Ten Major Infrastructure Projects as well as the government’s resolution to stabilise the residential property market by building more public rental housing units. Under such condition, it is estimated that formwork services will keep growing in the foreseeable future, with the gross value increasing from approximately HK\$6,256.7 million in 2019 to HK\$7,418.2 million in 2024, which represents a CAGR of approximately 3.5%, which is sustained by the Long Term Housing Strategy, the commencement of a series of building projects such as Cyberports and so forth. The expected slow-down in the revenue growth of the formwork services market in Hong Kong from 2019 to 2024 was due to the gradual completion of the Ten Major Infrastructure Projects in Hong Kong. The formwork services market, as an indispensable part of those sizeable infrastructure projects, is therefore estimated to witness the slow growth accordingly. Meanwhile, due to the COVID-19 pandemic, it is estimated to experience a downtrend in 2020, which is in line with the trend of the entire construction market in Hong Kong.

Market size of formwork services market (Hong Kong), by revenue, 2014-2024E



Source: Frost & Sullivan

Market drivers analysis

- Continuous implementation of new development area projects

Initiative by the government to promote the new development area (NDAs) projects is the major driving force for the Hong Kong formwork services market as well. The extension projects Tung Chung New Town is currently progressing while other works including the formation and infrastructure works for major projects are expected to commence based on the original timeline. The continuous implementation of NDA projects which are purposed to increase the housing land supply therefore stimulates the formwork services market in Hong Kong accordingly.

INDUSTRY OVERVIEW

- Favourable policy from the government

The Hong Kong government has been committed to increase the housing supply for residents to help ease the intense housing demand issue in Hong Kong over the past years. According to the Hong Kong Budget Measures for 2020-21, the estimated public housing production for the next five years is about 100,000 units, meanwhile a total of 18,500 private residential units were under construction in 2019, barely 100 more than the year before. Under such condition, the formwork services market in Hong Kong is thereby promoted by the sustained demand for formwork services brought by the commencement of abundant construction projects.

Opportunities analysis

Based on the latest Budget Speech, the government will continue to allocate sufficient resources to support the long-term increase in housing and land supply, and a series of measures and policies have been implemented accordingly. For instance, in February 2020, the Hong Kong government announced the 2020-21 Land Sale Programme, which includes a total of 15 residential sites that are able to provide approximately 7,500 flats and six commercial sites. The expected construction of a series of housing will bring great opportunities to the formwork services market in Hong Kong.

Future trends analysis

- Increasing use of aluminium in formwork

It tends to become a trend in the formwork services market that more contractors would use aluminium formworks to gradually replace formworks made of other materials, such as timber and plywood, due to environmental protection issue. Furthermore, aluminium is featured with its lightless and load-bearing capacity, which contributes to the reduced time required for formwork services and thereby further brings advantages to the entire construction projects in terms of time efficiency and cost saving in the long run.

- Increasing export of formwork services

The collaboration between the PRC and Hong Kong is encouraged during recent years and such cooperation will be further strengthened in the following years as upheld by the development plan for the Guangdong-Hong Kong-Macau Greater Bay Area, where cooperation opportunities in terms of economy and industry are highly promoted amongst the area. Also the “Belt and Road Initiative” and the “Outline of the 13th Five-Year Plan for the National Economic and Social Development of the PRC” also signifies the participation of Hong Kong. The supportive policies serve as a new engine to further drive the economic and social development of Hong Kong. Under such condition, it is expected that formwork services providers would work together to leverage each other’s strengths to explore more market opportunities.

INDUSTRY OVERVIEW

Cost analysis

- Average daily wage of formwork workers in Hong Kong

Average daily wage of formwork workers in Hong Kong showed an uptrend in the past years, increasing from HK\$1,561.7 in 2014 to HK\$1,704.3 in 2016 and then slightly decreased to HK\$1,679.5 in 2019, representing growing at a CAGR of approximately 1.5% from 2014 to 2019.

The continuous increase in labour cost during 2014 and 2016 was mainly attributable to the government's efforts to increase housing supply and the commencement of a series of infrastructure projects, under which circumstances the market was confronted with labour force insufficiency. Average daily wages of workers engaged in the formwork services market of Hong Kong experienced slight decrease between 2016 and 2018, as a result of the government's effort to increase labour supply to alleviate the labour shortage issued of the entire construction industry of Hong Kong including the formwork services market.

Entry barriers analysis

- Consistency in project quality and timely delivery

Stability in project quality is another factor that main contractors take into consideration when selecting subcontractors. For formwork structure which is an essential and indispensable part of a construction project, formwork services providers' ability to accomplish projects with high quality and to maintain the services quality is crucial as any fault may exert negative influence or delay the entire structure work of the building construction projects, which would further cause loss to main contractors. Thus, contractors' strong quality control ability within teams tends to add to their reputation in the formwork services market in Hong Kong.

- Established relationship with customers and suppliers

With rich experience in the formwork services market, formwork services providers tend to establish stable and firm relationship with large customers or main contractors and such established relationship tend to increase their chances of being awarded contracts for formwork services providers as they have already gained customers recognition. Besides, to form long-term relationship with material suppliers is also important as formwork services providers may enjoy more flexibility in terms of procurement prices and order placement.

INDUSTRY OVERVIEW

- Proven track record

Good reputation and proven practical industry experience are regarded as significant factors for formwork services providers as experienced formwork services providers are more likely to be awarded the project as main contractors who outsource formwork services to subcontractors tend to evaluate their ability based on their past track record. However, new entrants may not be able to accumulate extensive experience in a short period.

Competition Analysis of Formwork Services Market in Hong Kong

Competition overview

The formwork services market in Hong Kong was considered fragmented in terms of the number of contractors engaged in it. As of May 2020, there were 860 contractors registered under the concreting formwork category of the Construction Industry Council. For FY2020, the top five players took up approximately 41.2% of the entire formwork services market in Hong Kong, contributing approximately HK\$2,577.8 million in revenue to the market. Our Group has demonstrated outstanding performance in the market, and ranked 2nd in the formwork services market in Hong Kong in FY2020.

Having formed economies of scale and established relationship with large customers, large players usually demonstrate comparatively stronger operation performance over players with smaller scale. Major success factors lie in the reputation and credibility of formwork services providers, which are based on their past project experience, relationship with major customers and material suppliers, as good and stable relationship with main contractors increases the possibilities of winning a tender.

Ranking	Company name	Company type	Brief introduction	Revenue in FY2020, HK\$ million	Market share in FY2020
1	Company A	Listed company	The company has accumulated more than 24 years of experience in the formwork services market in Hong Kong.	706.7	11.3%
2	Our Group	Private company	Our Group has had more than 30 years of experience in formwork services market in Hong Kong and built up stable corporation with the subcontractors.	685.9	11.0%
3	Company B	Listed company	The company provides mainly formwork services to both private and public sectors in Hong Kong.	437.8	7.0%
4	Company C	Listed company	Established for over 22 years, the company is a subcontractor carrying out formwork services in Hong Kong.	434.6	6.9%
5	Company D	Private company	Founded in the 1990s, the company is engaged in the provision of formwork services in Hong Kong.	312.8	5.0%
Top 5				2,577.8	41.2%
Total				6,256.7	100%

Source: Frost & Sullivan

Note: FY2020 refers to the period from 1 April 2019 to 31 March 2020.

REGULATORY OVERVIEW

During the Track Record Period, the business activities of our Group are principally based in Hong Kong and are therefore principally subject to the relevant laws and regulations in Hong Kong. To the best knowledge and belief of our Directors, our Group has complied with the relevant applicable laws and regulations in relation to its business in all material respects for its operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

This section sets forth the major areas of Hong Kong laws and regulations in relation to the operation of our business in Hong Kong during the Track Record Period.

LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the “**Factories and Industrial Undertakings Ordinance**”) provides for the safety and health protection of workers in an industrial undertaking, which includes but not limited to the loading, unloading, or handling of goods or cargo at any dock, quay, wharf, warehouse or airport; and a “proprietor” means the person for the time being having the management or control of the business carried on in, inter alia, an industrial undertaking.

Section 6A of the Factories and Industrial Undertakings Ordinance states that a proprietor of a relevant undertaking must ensure the safety and health at work of all his employees. The duties of a proprietor extend to include:

- (a) providing and maintaining plant and systems of work that are, so far as is reasonably practicable, safe and without risks to health;
- (b) making arrangements for ensuring, so far as is reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- (c) providing such information, instruction, training and supervision as is necessary to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking;
- (d) so far as is reasonably practicable as regards any part of the industrial undertaking under the proprietor’s control, maintaining it in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- (e) providing and maintaining a work environment for all persons employed by him at the industrial undertaking that is, so far as is reasonably practicable, safe, and without risks to health.

REGULATORY OVERVIEW

A proprietor who contravenes its duty under the Factories and Industrial Undertakings Ordinance commits an offence and is liable to a fine at HK\$500,000. In the case of a willful contravention without reasonable excuse, such proprietor commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the “**Occupational Safety and Health Ordinance**”) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Section 6 of the Occupational Safety and Health Ordinance provides that employers must as far as reasonably practicable ensure the safety and health of their employees in their workplaces by:

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing such information, instruction, training and supervision as may be necessary for ensuring safety and health at work of the employees;
- (d) maintaining the workplace in a condition that is safe and without risks to health;
- (e) providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (f) providing and maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

Sections 9 and 10 of the Occupational Safety and Health Ordinance provide that the Commissioner for Labour may also issue improvement notices against non-compliance with this ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), and suspension notices against activities in workplaces where there is an imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the “**Occupiers Liability Ordinance**”) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premises to take reasonable care of the premises in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance

Section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) states that a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site; and (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site; or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Construction Workers Registration Ordinance

The Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (the “**Construction Workers Registration Ordinance**”) implements a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades may be carried out only by registered skilled workers for that particular trade.

Section 3 of the Construction Workers Registration Ordinance states that a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$10,000.

Section 5 of the Construction Workers Registration Ordinance states that any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits an offence and is liable on conviction to a fine of HK\$50,000.

REGULATORY OVERVIEW

Section 58(7) of the Construction Workers Registration Ordinance states that a controller of a construction site shall:

- (a) establish and maintain a daily record in the specified form containing information of the registered construction workers who (i) are employed by the controller or, if the controller is the principal contractor, by the subcontractor of the controller, and (ii) personally carry out on the site construction work; and
- (b) furnish the Registrar of Construction Workers in such manner as he directed with a copy of the record (i) for the period of seven days after any construction work begins on the site; and (ii) for each successive period of seven days, within two business days after the last day of the period concerned, or within such further time as the Registrar of Construction Workers may in any case allow.

The Construction Workers Registration Ordinance also contains a “designated workers for designated skills” provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small scale construction works (e.g. value of works not exceeding HK\$100,000).

The proposed Security of Payment Legislation for the Construction Industry (“SOPL”)

The Hong Kong government has completed a public consultation on a new legislation for the construction industry to address unfair payment terms, payment delays and disputes. The SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined in the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)) which has an original value in excess of HK\$5.0 million will be caught in private sector. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

REGULATORY OVERVIEW

The new legislation will (a) prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums; (b) prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments; (c) enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process); and (d) give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

Under the scope of the SOPL, the parties will retain a large degree of freedom to agree payment terms, such as when claims for payment can be made for works, services or supplies and how payments are valued. The adjudication model under the SOPL that provides a means to resolve payment disputes expediently is available not only to subcontractors but also to main contractors, which allows main contractors to be entitled to adjudicate against its customer for payment.

The SOPL is subject to the finalisation of the legislation framework and the legislative process by the Hong Kong government.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”) provides for the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies. Under the Employment Ordinance, an employee is generally entitled to, amongst other things, notice of termination of his employment contract; payment in lieu of notice; maternity protection in the case of a pregnant employee; not less than one rest day in every period of seven days; severance payments or long service payments; sickness allowance; statutory holidays or alternative holidays; and paid annual leave of up to 14 days depending on the period of employment.

Section 43C of the Employment Ordinance states that if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to section 43F of the Employment Ordinance.

Employees’ Compensation Ordinance

The Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**Employees’ Compensation Ordinance**”) establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

REGULATORY OVERVIEW

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the Employees' Compensation Ordinance, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to its subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Further, section 40 of the Employees' Compensation Ordinance provides that all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") provides that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong at the standard rate. Every person carrying on a trade, profession or business in Hong Kong is required to keep sufficient records of his income and expenditure and shall retain such records for a period of not less than seven years from the transaction date.

Minimum Wage Ordinance

With effect from 1 May 2019, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the “**Minimum Wage Ordinance**”) provides for a prescribed minimum hourly wage rate at HK\$37.5 per hour for every employee employed under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the “**Mandatory Provident Fund Schemes Ordinance**”) provides that employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“**MPF**”) scheme within the first 60 days of employment.

Under the MPF scheme, an employer and its employees are both required to contribute 5% of the employee’s monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. For a monthly-paid employee, the current minimum and maximum relevant income levels are \$7,100 and \$30,000 respectively.

Industry schemes (“**Industry Schemes**”) were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are “casual employees” whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the “**Competition Ordinance**”) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, prohibits mergers that substantially lessen competition in Hong Kong and provides for incidental and connected matters.

The Competition Ordinance includes the First Conduct Rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power; and the Merger Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty of up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (the “**Air Pollution Control Ordinance**”) controls the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise and arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

Noise Control Ordinance

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (the “**Noise Control Ordinance**”) regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

REGULATORY OVERVIEW

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on second or subsequent conviction to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the “**Waste Disposal Ordinance**”) controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste, clinical waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong).

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has obtained the written permission from the land owner and the acknowledgement from the Environmental Protection Department. A person who except under and in accordance with a permit, does anything for which such a permit is required commits an offence and is liable to a fine of HK\$200,000 and imprisonment for six months for the first offence, and to a fine of HK\$500,000 and imprisonment for two years for a second or subsequent offence.

Public Health and Municipal Services Ordinance

The Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the “**Public Health and Municipal Services Ordinance**”) makes provisions for public health and municipal services in Hong Kong.

Emission of dust from building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction with a daily fine of HK\$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$5,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$25,000 upon conviction and a daily fine of HK\$450.

REGULATORY OVERVIEW

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

LICENSING/REGISTRATION REGIME

Construction Industry Council — Registered Specialist Trade Contractors Scheme

A technical circular issued by the Environment, Transport and Works Bureau (currently known as the Works Branch of the Development Bureau) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the Voluntary Subcontractor Registration Scheme (the “**VSRS**”).

Subsequently, the VSRS was renamed as the Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

With effect from 1 April 2019, the Construction Industry Council established the Registered Specialist Trade Contractors Scheme (the “**RSTCS**”), an industry-wide driven and recognised registration scheme in Hong Kong for specialist trade contractors, to replace the Subcontractor Registration Scheme. The RSTCS aims to build up a pool of professional and responsible trade contractors with specialised skills through recognised registration system for development of the construction industry.

The RSTCS comprises Registered Specialist Trade Contractors of seven specialist trades and Registered Subcontractors of other common trades. All subcontractors registered under the Subcontractor Registration Scheme in respect of the seven trades of demolition, scaffolding, concreting formwork, reinforcement bar fixing, concreting, erection of concrete precast component and curtain wall have automatically become Registered Specialist Trade Contractors. All subcontractors registered under the Subcontractor Registration Scheme in respect of the remaining trades have automatically become Registered Subcontractors.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including earthwork and ground investigation, etc. Since 1 April 2019, subcontractors may apply for registration on the Register of Specialist Trade Contractors in one or more of the seven designated trades including demolition, scaffolding, concreting formwork, reinforcement bar fixing, concreting, erection of concrete precast component and curtain wall and on the Register of Subcontractors in other common civil, building, electrical and mechanical trades.

REGULATORY OVERVIEW

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the RSTCS) of the RSTCS, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the RSTCS. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the RSTCS, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the RSTCS.

Applications for registration under the Register of Subcontractors are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied or comparable experience acquired by itself or its proprietors, partners or directors within the last five years;
- (b) listing on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong government relevant to the trades and specialties for which registration is sought; or
- (c) the proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or the proprietor, partner or director having registered as registered skilled worker under the Construction Workers Registration Ordinance for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Applications for registration under the Register of Specialist Trade Contractors are subject to a number of requirements based on the relevant trade category and tender limits as detailed in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors issued by the Construction Industry Council in April 2019.

A registered specialist trade contractor shall apply for renewal not earlier than six months before and not later than three months before the expiry date of its registration whereas a registered subcontractor shall apply for renewal within three months before the expiry date of its registration. An application for renewal shall be submitted to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to the approval by the committee which oversees the relevant scheme. If some of the entry requirements covered in an application can no longer be satisfied, the Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are

REGULATORY OVERVIEW

met. An approved renewal for a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal whereas an approved renewal as a registered subcontractor shall be valid for three or five years from the expiry of the current registration.

A registered subcontractor and a registered specialist trade contractor shall observe the RSTCS Rules and Procedures for the Register of Subcontractors and the RSTCS Rules and Procedures for the Register of Specialist Trade Contractors, failing which regulatory actions may be taken by the Committee on Registered Specialist Trade Contractors Scheme. The RSTCS shall investigate regulatory actions on cases such as court conviction or violation of laws, as well as breach of the RSTCS Rules and Procedures. When there is a prima facie case, a hearing will be conducted by the Committee on Registered Specialist Trade Contractors Scheme. Regulatory actions imposed would be published on the RSTCS website. An independent appeal mechanism is established to handle appeal cases.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (the **“Prevention of Bribery Ordinance”**);
- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
- (f) wilful misconducts that may bring the Subcontractor Registration Scheme (and RSTCS since 1 April 2019) into serious disrepute;
- (g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
- (h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - (i) loss of life; or
 - (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

REGULATORY OVERVIEW

- (i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;
- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

The circumstances that may lead to regulatory actions be taken against a registered specialist trade contractor include, but are not limited to:

- (a) a petition for winding-up or bankruptcy has been filed against the registered specialist trade contractor or other financial problems;
- (b) the registered specialist trade contractor's failure to answer queries or provide information relevant to the registration within the prescribed time specified by the Committee on Registered Specialist Trade Contractors Scheme;
- (c) misconduct or suspected misconduct of the registered specialist trade contractor;
- (d) court conviction or violation of any law by the registered specialist trade contractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Immigration Ordinance, Prevention of Bribery Ordinance, Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong), Construction Workers Registration Ordinance;
- (e) matters of public interest;
- (f) serious or suspected serious poor performance or other serious causes in any public or private sector works contract; and
- (g) the registered specialist trade contractor's failure to comply with any provisions of the RSTCS Rules and Procedures for the Register of Specialist Trade Contractors.

REGULATORY OVERVIEW

Set out below is our Group's registration particulars with the Construction Industry Council:-

Name of Group member	Designated Trade of the Registered Specialist Trade Contractor	Date of Registration	Expiry Date of Current Registration
CK Woodworks	Concreting Formwork	17 January 2019 ¹	16 January 2024
	Erection of Concrete	17 January 2019 ²	16 January 2024
	Precast Component		
	Scaffolding	17 January 2019 ³	16 January 2024

Notes:

1. CK Woodworks was first registered with the Construction Industry Council in respect of timber formwork and metal/system formwork under the trade of concreting formwork on 17 January 2013 and 10 August 2018 respectively.
2. CK Woodworks was first registered with the Construction Industry Council in respect of erection of concrete precast component on 10 August 2018.
3. CK Woodworks was first registered with the Construction Industry Council in respect of scaffolding on 10 August 2018.

As confirmed by our Directors, registration as subcontractor or registered specialist trade contractor is a necessary requirement for submitting tenders and engaging in public construction projects in Hong Kong whereas private construction projects generally do not require contractors to have such registration.

During the Track Record Period, our Group did not have business operations in the PRC. Going forward, our Group intends to expand our formwork services into the PRC market and hence, we will be subject to the relevant PRC laws and regulations. For details of licensing requirements for engaging in construction projects in the PRC, please refer to the paragraph headed "Qualifications for construction contracting in the PRC" in this section below.

QUALIFICATIONS FOR CONSTRUCTION CONTRACTING IN THE PRC

The Construction Law of the PRC (《中華人民共和國建築法》), which was promulgated on 1 November 1997 and newly amended on 23 April 2019, the Provisions on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), which was promulgated on 6 October 1995 and newly amended on 22 December 2018, the Qualification Standards for Construction Enterprises (《建築業企業資質標準》), which was promulgated on 6 November 2014 and effective on 1 January 2015, and newly amended on 14 October 2016, the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors (《施工總承包企業特級資質標準實施辦法》), which was promulgated and effective on 30 November 2010, as amended by the Circular of the Ministry of Housing and Urban-rural Development on Issues Related to Adjustment on the Appraisal of the Net Asset Index for the Qualification Standards of Construction Enterprises (《住房城

REGULATORY OVERVIEW

鄉建設部關於調整建築業企業資質標準中淨資產指標考核有關問題的通知》), which was promulgated and implemented on 9 November 2015 by the Ministry of Housing and Urban-rural Development (the “MOHURD”), the Administrative Regulations on Qualification and Implementation Measures of Qualification of Construction Enterprises (《建築業企業資質管理規定和資質標準實施意見》), which was promulgated on 31 January 2015 and effective on 1 March 2015, and newly amended on 16 January 2020.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications accordingly to engage in the relevant construction business. The qualifications of construction enterprises are classified into three categories: (i) general contracting; (ii) specialised subcontracting; and (iii) labour subcontracting. The general contracting qualifications for construction are classified into four classes, namely, the premium class, the first class, the second class and the third class; the specialised subcontracting for construction are classified into three classes, namely, the first class, the second class and the third class.

The Qualification Standards of Construction Enterprises set forth detailed provisions on the requirements for each category and class qualification mentioned above.

The enterprise with the qualification for general construction work may undertake the construction project management service in accordance with the scope of its qualification. Such enterprise may construct all the construction works by itself, or may subcontract non-essential construction works to subcontractors. Construction works shall be subcontracted to subcontractors with relevant qualifications, and labour work shall be subcontracted to labour subcontractors with relevant qualifications.

The enterprise with the specialised subcontracting qualification may undertake projects subcontracted from a general construction contractor in compliance with the relevant regulations. An enterprise that has obtained contracting qualifications shall undertake the entire subcontracting by itself, but a subcontracting enterprise may subcontract any labour work to labour subcontractors with the relevant qualifications in accordance with the relevant PRC laws and regulations.

If the construction enterprise needs to continue to use qualification certificates after expiry of the period of validity, an application for renewal shall be made within three months before the expiration with the original licensing authority.

OVERVIEW

Our operating history can be traced back to 1996 when our Group provided formwork services in Hong Kong via CK Engineering which was incorporated by Mr. Lo and Mrs. Lo in equal share with their personal wealth. Prior to incorporating CK Engineering, Mr. Lo had been working in the construction industry by providing formwork services where he accumulated the relevant experience and developed networks with different customers and suppliers. Mr. Lo expanded his business to provide formwork services by setting up a company in Macau in 2004 for more business opportunities. Having considered the recovery of the Hong Kong economy after the financial crisis in 2008, CK Woodworks was incorporated in 2011 by Mr. Lo together with a senior management staff of CK Engineering, Mr. Mar Ho Yuen, in the respective shareholding interest of approximately 96.7% and 3.3%, to provide formwork services in Hong Kong. In 2018, Mr. Mar Ho Yuen transferred his entire shareholding interest in CK Woodworks to Mr. Lo for capital gain and hence, Mr. Mar Ho Yuen ceased to have shareholding interest in our Group.

Through the extensive experience of Mr. Lo, our Group began to handle projects from the public sector in 2008. Our Group has been generally providing conventional formwork services mainly with timber and plywood since its establishment and under the leadership of Mr. Lo, our Group expanded to provide prefabricated formwork services mainly with aluminium and steel in 2015. Over the years, we positioned ourselves as one of the leading formwork contractors providing formwork services to both the public and private sectors in Hong Kong. Leveraging on our proven track record and established network in the industry, we set up our PRC subsidiaries in 2019 with a view to expanding our business to capture the potential growth in the construction industry in the PRC.

We strive to provide quality formwork services to our customers. As at the Latest Practicable Date, CK Woodworks was registered with the Construction Industry Council for designated trades of concreting formwork, erection of concrete precast component and scaffolding.

BUSINESS MILESTONE

The following table sets out the key developments and milestones of our Group since our establishment:

Year	Milestone
1996	CK Engineering was incorporated in Hong Kong.
2001	We commenced business relationship with Hip Hing Group, our largest customer during the Track Record Period.
2008	We handled our first project from the public sector in the sum of approximately HK\$25.6 million for formwork services in a government headquarters building in North Point.
2011	CK Woodworks was incorporated in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestone
2015	<p>We expanded our services to provide prefabricated formwork.</p> <p>We entered into a contract in the sum of approximately HK\$82.3 million for conventional formwork in a private hospital in Wong Chuk Hang.</p>
2017	<p>We entered into a contract in the sum of approximately HK\$131.3 million for formwork services in a waterpark in Ocean Park.</p> <p>We were awarded 安全分判商獎2017 (Safe Subcontractor Award 2017) by The Lighthouse Club Hong Kong, an organisation supporting the construction industry in Hong Kong, for demonstrating excellent safety management during the execution of our works.</p> <p>We were awarded the Quality Public Housing Construction & Maintenance Awards 2017 in respect of concreting formwork by the Hong Kong Housing Authority.</p> <p>We were awarded 分包商安全卓越管理表現獎 (Subcontractor Safety Excellent Management Prize) for the construction works performed for Customer B in Tonkin Street.</p>
2018	<p>We were awarded 長期合作夥伴 (Long-term Business Partner) by Paul Y. Group.</p>
2019	<p>CK Woodworks was registered with the Construction Industry Council for designated trades of concreting formwork, erection of concrete precast component and scaffolding.</p> <p>We set up our PRC subsidiaries to explore business opportunities in the PRC.</p>
2020	<p>We entered into a contract in the sum of approximately HK\$305.9 million for conventional formwork in Skycity in Chek Lap Kok.</p>

CORPORATE HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company and seven subsidiaries. Set out below is the brief history of our Company and its subsidiaries.

Our Company

Our Company, being the listing vehicle of our Group, was incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 August 2019. As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such Share was transferred to Magnificent Faith at par, and additional 99 Shares were allotted and issued as fully paid to Magnificent Faith at par.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 20 June 2018, additional 620 Shares were allotted and issued as fully paid to Magnificent Faith at par.

On 22 October 2018, Magnificent Faith transferred 72 Shares to Clever Universal at par and such transfer was properly and legally completed on the same date. After the said transfer, Magnificent Faith and Clever Universal owned 648 Shares and 72 Shares in our Company respectively, which represented 90% and 10% of the entire issued share capital of our Company respectively.

On 17 June 2019, as part of the Reorganisation, Mr. Lo and Clever Universal transferred 270,000 shares and 30,000 shares of CK Woodworks respectively, which represented the entire issued share capital of CK Woodworks, to CK BVI, in consideration of our Company allotting and issuing 252 new Shares and 28 new Shares credited as fully paid, to Magnificent Faith (at the direction of Mr. Lo) and Clever Universal respectively and such transfers were properly and legally completed on the same date. After the said transfers, Magnificent Faith and Clever Universal owned 900 Shares and 100 Shares in our Company respectively, which represented 90% and 10% of the entire issued share capital of our Company respectively.

On 10 September 2019, Mr. Lo and Clever Universal entered into the Termination Agreement to terminate and unwind the transaction under the Clever Universal Agreement as Clever Universal failed to redeem the Promissory Note (as defined below) in full by 30 June 2019. Under the Clever Universal Agreement, Clever Universal was transferred 30,000 shares of CK Woodworks from Mr. Lo, which represented 10% of the issued share capital of CK Woodworks. To reflect its interest at our Group level, Clever Universal subsequently obtained 100 Shares (which represented 10% of the then entire issued share capital of our Company) as described above and ceased holding any interest in CK Woodworks. By unwinding the transaction under the Clever Universal Agreement pursuant to the Termination Agreement, Clever Universal transferred 100 Shares to Magnificent Faith (at the direction of Mr. Lo) at the consideration of RMB3,000,000 (which was equivalent to the aggregate amount paid by Clever Universal to Mr. Lo under the Clever Universal Agreement). Also, Mr. Lo agreed to waive the payment obligation of Clever Universal in respect of the outstanding amount of the aforesaid Promissory Note. Such transfer was properly and legally completed on 10 September 2019. As a result of the Termination Agreement, Clever Universal ceased to have any interest in our Company while Magnificent Faith owned 1,000 Shares in our Company, which represented the entire issued share capital of our Company.

On 13 September 2019, additional 8,450 Shares were allotted and issued as fully paid to Magnificent Faith at par.

On 22 October 2018, our Company, Magnificent Faith and CT Vision entered into the Pre-IPO Agreement, pursuant to which (i) CT Vision agreed to subscribe for 550 new Shares at the consideration of HK\$11,000,000; and (ii) Magnificent Faith agreed to transfer 2,000 Shares to CT Vision at the consideration of HK\$40,000,000. The consideration for the subscription and transfer of Shares represented a P/E ratio of approximately 3.2 times of the audited net profit after tax of CK Woodworks for the year ended 31 March 2018 and was arrived at after arm's length negotiations between the parties taking into account the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

net profit after tax of CK Woodworks for the year ended 31 March 2018 and CK Woodworks' actual financial performance, contracts on hand and financial forecast, which is also considered comparable to the key input used in determining the fair value of CK Woodworks in October 2018 as assessed by an independent valuer and the prospects of the construction industry in Hong Kong.

On 16 September 2019, pursuant to the Pre-IPO Agreement, our Company allotted and issued and CT Vision subscribed for 550 Shares credited as fully paid. After the said subscription, Magnificent Faith and CT Vision owned 9,450 Shares and 550 Shares in our Company respectively, which represented 94.5% and 5.5% of the entire issued share capital of our Company respectively. On the same date after completion of the said subscription, Magnificent Faith transferred 2,000 Shares to CT Vision. After the said transfer, Magnificent Faith and CT Vision owned 7,450 Shares and 2,550 Shares in our Company respectively, which represented 74.5% and 25.5% of the entire issued share capital of our Company respectively.

Following completion of the Reorganisation, our Company became the holding company of our subsidiaries. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section below.

As at the Latest Practicable Date, our Company was mainly an investment holding company.

CK Engineering Technology

CK Engineering Technology was incorporated in the BVI with limited liability on 11 April 2019 and was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 50,000 shares were allotted and issued as fully paid to our Company at par on its date of incorporation.

As at the Latest Practicable Date, CK Engineering Technology was an intermediate holding company of our Group.

CK BVI

CK BVI was incorporated in the BVI with limited liability on 18 September 2018 and was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 1,000 shares were allotted and issued as fully paid to our Company at par on its date of incorporation.

On 13 September 2019, as part of the Reorganisation, our Company transferred 1,000 shares of CK BVI, which represented the entire issued share capital of CK BVI, to CK Engineering Technology at the nominal consideration of US\$1 and such transfer was properly and legally completed on the same date.

Upon completion of the Reorganisation, CK BVI became a wholly-owned subsidiary of CK Engineering Technology. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section below.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, CK BVI was an intermediate holding company of our Group.

CK Technology Development

CK Technology Development was incorporated in the BVI with limited liability on 12 April 2019 and was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 50,000 shares were allotted and issued as fully paid to CK Engineering Technology at par on its date of incorporation.

As at the Latest Practicable Date, CK Technology Development was an intermediate holding company of our Group.

CK Woodworks

CK Woodworks was incorporated in Hong Kong on 23 September 2011 as a limited liability company with an authorised share capital of HK\$300,000 divided into 300,000 ordinary shares of the then par value of HK\$1.00 each, of which 290,000 shares and 10,000 shares were allotted and issued as fully paid to Mr. Lo and Mr. Mar Ho Yuen (a director of CK Woodworks) at par respectively.

On 21 April 2017, Mr. Lo and Clever Universal entered into the Clever Universal Agreement pursuant to which Mr. Lo transferred 30,000 shares of CK Woodworks (represented 10% of the entire issued share capital of CK Woodworks) to Clever Universal at the consideration of HK\$12,000,000 and was settled by Clever Universal issuing a redeemable promissory note (the "**Promissory Note**") to Mr. Lo on the same date. The Promissory Note is in the principal amount of HK\$12,000,000 which carries an interest at the rate of 10% per annum and expired on 30 June 2019 (the "**Maturity Date**"). The consideration for the aforesaid transfer was arrived at after arm's length negotiation taking into account a P/E ratio of approximately 2.2 times based on the audited net profit of CK Woodworks for the year ended 31 March 2017. Clever Universal is a company incorporated in Hong Kong wholly-owned by Ms. Yue Ka Lai Jenny who has over 25 years of experience in the Hong Kong property market. Mr. Lo invited Ms. Yue Ka Lai Jenny to join our Group in contemplation of the potential synergy to be brought by her background while Ms. Yue Ka Lai Jenny invested in our Group in light of the prospects and potential growth of our Group and the construction industry in Hong Kong. After the aforesaid transfer, Mr. Lo, Mr. Mar Ho Yuen and Clever Universal owned 260,000 shares, 10,000 shares and 30,000 shares in CK Woodworks respectively, which represented approximately 86.7%, 3.3% and 10% of the entire issued share capital of CK Woodworks respectively.

On 7 June 2018, Mr. Mar Ho Yuen transferred 10,000 shares of CK Woodworks to Mr. Lo at the consideration of HK\$2,550,000 and such transfer was properly and legally completed on 13 June 2018. The consideration was determined with reference to the unaudited net asset value of CK Woodworks as at 31 March 2018. After the aforesaid transfer, Mr. Lo and Clever Universal owned 270,000 shares and 30,000 shares in CK Woodworks respectively, which represented 90% and 10% of the entire issued share capital of CK Woodworks respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 17 June 2019, as part of the Reorganisation, Mr. Lo and Clever Universal transferred 270,000 shares and 30,000 shares of CK Woodworks respectively (which represented the entire issued share capital of CK Woodworks) to CK BVI, in consideration of our Company allotting and issuing 252 new Shares and 28 new Shares credited as fully paid to Magnificent Faith (at the direction of Mr. Lo) and Clever Universal respectively. Such transfers were properly and legally completed on the same date. Upon completion of the aforesaid transfers, CK Woodworks became a direct wholly-owned subsidiary of CK BVI. As of the Maturity Date, Clever Universal partially redeemed the Promissory Note in the amount of RMB3,000,000 only. As Clever Universal failed to redeem the Promissory Note in full by the Maturity Date, Mr. Lo and Clever Universal entered into the Termination Agreement on 10 September 2019 to unwind the transaction under the Clever Universal Agreement. For details, please refer to the paragraph headed “Corporate History and Development — Our Company” in this section above.

As at the Latest Practicable Date, CK Woodworks was mainly engaged in the provision of formwork services and other construction services in Hong Kong.

Mr. Mar Ho Yuen completed his secondary school education in Hong Kong in 1977. Prior to joining CK Engineering as a project manager in 1996, Mr. Mar Ho Yuen worked as a leveler or a foreman in various construction companies in Hong Kong from 1978 to 1996, where he was responsible for the levelling of the construction sites or monitoring the construction projects of the companies. In September 2011, with a view to recognising Mr. Mar Ho Yuen’s contribution to Mr. Lo’s formwork business, Mr. Lo incorporated CK Woodworks with Mr. Mar Ho Yuen. Since then, Mr. Mar Ho Yuen has been a director of CK Woodworks and a project manager of our Group responsible for managing projects of our Group.

Mr. Mar Ho Yuen was not appointed as a senior management staff or a Director because he understands that being a director or senior management of a listed company is subject to additional obligations which require due compliance and he prefers not to take up the same in light of his age and his family commitment.

CK Strategy

CK Strategy was incorporated in Hong Kong on 30 April 2019 as a limited liability company. On the date of incorporation, one share was allotted and issued to CK Technology Development credited as fully paid.

As at the Latest Practicable Date, CK Strategy was an intermediate holding company of our Group.

CK Yangzhou

CK Yangzhou was established in the PRC on 15 July 2019 as a limited liability company with a registered capital of US\$30,000,000, which was wholly-owned by CK Strategy. The registered capital of US\$30,000,000 is required to be contributed in cash on or before 9 July 2049, which is the latest date of contribution as required by the PRC authority, unless extension is granted. As at the Latest Practicable Date, an amount of approximately US\$40,773 was contributed in cash by CK Strategy.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, CK Yangzhou was an intermediate holding company of our Group.

CK Nanjing

CK Nanjing was established in the PRC on 9 August 2019 as a limited liability company with a registered capital of RMB5,000,000, which was wholly-owned by CK Yangzhou. The registered capital of RMB5,000,000 is required to be contributed in cash on or before 18 June 2030, which is the latest date of contribution as required by the PRC authority, unless extension is granted. As at the Latest Practicable Date, an amount of approximately RMB285,588 was contributed in cash by CK Yangzhou.

As at the Latest Practicable Date, CK Nanjing was an investment holding company of our Group.

Our Group's PRC subsidiaries

During the Track Record Period, our Group's PRC subsidiaries, being CK Yangzhou and CK Nanjing, did not engage in any operations. According to the Frost & Sullivan Report, there is potential growth in the formwork industry in the PRC as the revenue from the formwork services market in the PRC is expected to reach approximately RMB134.9 billion in 2024 from approximately RMB101.8 billion in 2019, growing at a CAGR of approximately 5.8%.

Taking into account (i) the significantly larger market size of the PRC formwork services market, as compared to the market size of the Hong Kong formwork services market of approximately HK\$6.3 billion in 2019; and (ii) the potential growth at approximately 5.8% CAGR between 2019 and 2024 of the PRC formwork services market, our Directors are of the view that it would be in the interest of our Group to explore future business opportunities in the PRC formwork services market.

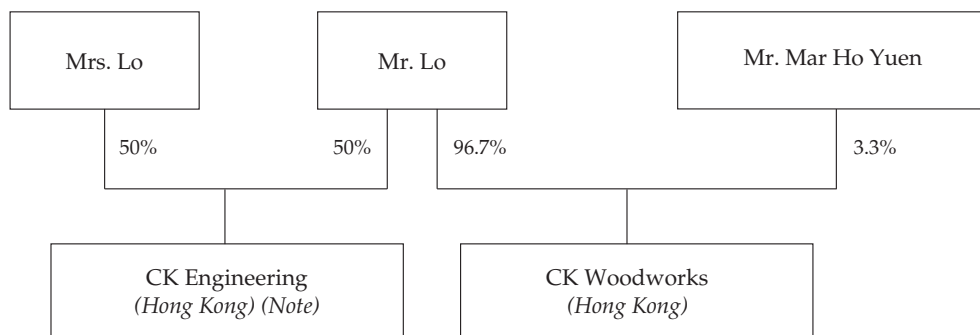
Since our Group does not have previous operational experience in the PRC and has not formed any concrete business expansion plan yet, for the sake of prudence and to mitigate any potential risks for Shareholders, the set-up costs of our PRC subsidiaries would be minimal and funded solely by our Group's internal resources, and our Group would not deploy any of its proceeds from the Listing for exploring business opportunities in the PRC.

Please refer to the section headed "Regulatory Overview — Qualifications for construction contracting in the PRC" for details regarding licensing requirements for engaging in construction projects in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The following chart shows the approximate shareholding structure of our Group immediately prior to the Reorganisation:



Note: Our Group is principally engaged in the provision of formwork services and other construction services in Hong Kong (the “**Listing Business**”). Immediately prior to and after the Reorganisation, the Listing Business has been held by and conducted through CK Woodworks and the formwork services business division of CK Engineering (the “**Portion of the Listing Business Held by CK Engineering**”). CK Engineering was engaged in property rental and provision of formwork services in Hong Kong during the Track Record Period, and will not be included as one of the subsidiaries of our Group upon completion of the Reorganisation. The Portion of the Listing Business Held by CK Engineering relates to projects subcontracted from CK Woodworks to CK Engineering. The consolidated statements of financial position of our Group included all assets and liabilities of the Portion of the Listing Business Held by CK Engineering, and the consolidated statements of comprehensive income of our Group included all revenue, related costs, expense and charges of the Portion of the Listing Business Held by CK Engineering after elimination of inter-company transactions. CK Engineering completed all formwork services relating to the Listing Business (including the subcontracting works for two projects of CK Woodworks during the Track Record Period) by March 2019 and has already ceased to engage in the Listing Business since then to remain as a property rental company and eliminate any competition between itself and our Group. For details of CK Engineering, please refer to the section headed “Relationship with Controlling Shareholders — Other Business of Mr. Lo and Mrs. Lo” in this prospectus. For details of the manner in which the Portion of the Listing Business Held by CK Engineering was included in the historical financial information of our Group, please refer to Note 1.3 of the Accountant’s Report set out in Appendix I to this prospectus. Our Directors consider that such allocation bases are fair and reasonable.

As at the Latest Practicable Date, CK Engineering was still owned by Mr. Lo and Mrs. Lo in equal share. During the Track Record Period and up to the Latest Practicable Date, CK Engineering was not involved in any material non-compliance incidents.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

- (1) On 21 April 2017, Mr. Lo and Clever Universal entered into the Clever Universal Agreement pursuant to which Mr. Lo transferred 30,000 shares of CK Woodworks, which represented 10% of the entire issued share capital of CK Woodworks, to Clever Universal at the consideration of HK\$12,000,000.
- (2) On 7 February 2018, Magnificent Faith was incorporated in the BVI with limited liability. Magnificent Faith was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued as fully paid to Mr. Lo on its date of incorporation.
- (3) On 16 April 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability having an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such Share was transferred to Magnificent Faith at par, and additional 99 Shares were allotted and issued as fully paid to Magnificent Faith at par.
- (4) On 7 June 2018, Mr. Mar Ho Yuen transferred 10,000 shares of CK Woodworks to Mr. Lo at the consideration of HK\$2,550,000.
- (5) On 20 June 2018, additional 620 Shares were allotted and issued as fully paid to Magnificent Faith at par.
- (6) On 18 September 2018, CK BVI was incorporated in the BVI with limited liability. CK BVI was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 1,000 shares were allotted and issued as fully paid to our Company on its date of incorporation.
- (7) On 22 October 2018, Magnificent Faith transferred 72 Shares to Clever Universal at par and such transfer was properly and legally completed on the same date. After the said transfer, Magnificent Faith and Clever Universal owned 648 Shares and 72 Shares in our Company respectively, which represented 90% and 10% of the entire issued share capital of our Company respectively.
- (8) On 11 April 2019, CK Engineering Technology was incorporated in the BVI with limited liability. CK Engineering Technology was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 50,000 shares were allotted and issued as fully paid to our Company on its date of incorporation.

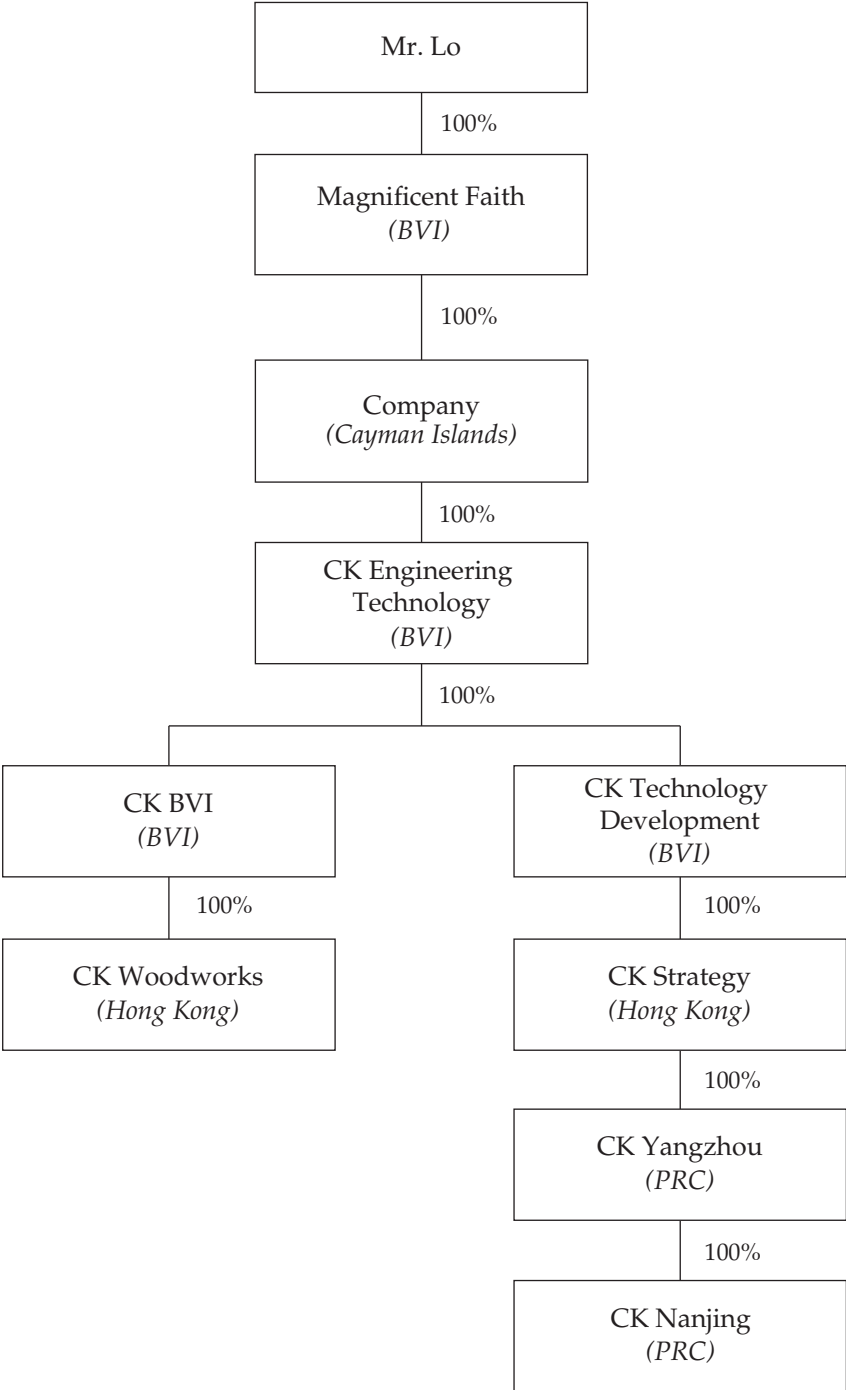
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (9) On 12 April 2019, CK Technology Development was incorporated in the BVI with limited liability. CK Technology Development was authorised to issue a maximum of 50,000 shares with a par value of US\$1 each, of which 50,000 shares were allotted and issued as fully paid to CK Engineering Technology on its date of incorporation.
- (10) On 30 April 2019, CK Strategy was incorporated in Hong Kong with limited liability. On the date of incorporation, one share was allotted and issued to CK Technology Development credited as fully paid.
- (11) On 17 June 2019, Mr. Lo and Clever Universal transferred 270,000 shares and 30,000 shares of CK Woodworks respectively, which represented the entire issued share capital of CK Woodworks to CK BVI, in consideration of our Company allotting and issuing 252 new Shares and 28 new Shares credited as fully paid, to Magnificent Faith (at the direction of Mr. Lo) and Clever Universal respectively and such transfers were properly and legally completed on the same date. Upon completion of the aforesaid transfers, CK Woodworks became a direct wholly-owned subsidiary of CK BVI.
- (12) On 15 July 2019, CK Yangzhou was established in the PRC as a limited liability company with a registered capital of US\$30,000,000, which was wholly-owned by CK Strategy.
- (13) On 9 August 2019, CK Nanjing was established in the PRC as a limited liability company with a registered capital of RMB5,000,000, which was wholly-owned by CK Yangzhou.
- (14) On 10 September 2019, Clever Universal transferred 100 Shares, which represented 10% of the entire issued share capital of our Company, to Magnificent Faith (at the direction of Mr. Lo) at the consideration of RMB3,000,000 pursuant to the Termination Agreement and such transfer was properly and legally completed on the same date.
- (15) On 13 September 2019, our Company transferred 1,000 shares of CK BVI, which represented the entire issued share capital of CK BVI, to CK Engineering Technology at the nominal consideration of US\$1 and such transfer was properly and legally completed on the same date.
- (16) On 13 September 2019, additional 8,450 Shares were allotted and issued as fully paid to Magnificent Faith at par.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, the Reorganisation had been properly and legally completed in compliance with all relevant laws and regulations.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding structure of our Group immediately following the Reorganisation:



PRE-IPO INVESTMENT

Background of CT Vision and Dr. Ho

CT Vision is an investment holding company incorporated in the BVI with limited liability on 20 February 2018, and the shares of which are legally and beneficially wholly-owned by Dr. Ho, who is also the sole director of CT Vision. To the best knowledge and belief of our Directors, Dr. Ho is an acquaintance of Mr. Lo and Dr. Ho financed the investment out of his own personal wealth. Prior to its investment in our Group, CT Vision and its ultimate beneficial owner were Independent Third Parties. To the best knowledge and belief of our Directors, Dr. Ho decided to invest in our Group through CT Vision with his confidence in the prospects of the construction industry in Hong Kong and the performance of our Group.

Dr. Ho obtained his Bachelor's degree of Business Accounting from the Monash University of Australia in 2002 and his Doctorate's degree of Business Administration from Apollos University in Montana, the United States via distance learning in September 2016. He completed his dissertation of "One Belt, One Road Post-Doctoral Research Programme" at the University of Oxford in May 2018. Dr. Ho has accumulated experience in finance and investment, especially in the renewable energy industry. He has previously participated in projects involving green building construction in the PRC. Dr. Ho is currently the chairman of Asia Pacific Smarter Energy Alliance (亞太智慧能源產業聯盟).

From May 2013 to February 2019, Dr. Ho was an executive director of China Oil Gangran Energy Group Holdings Limited (formerly known as Fairson Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8132), which principally engages in energy business in the PRC, where he was mainly responsible for providing strategic advice to the business development of the company. As at the Latest Practicable Date, Dr. Ho was interested in approximately 1.4% of China Oil Gangran Energy Group Holdings Limited. From April 2014 to August 2016, Dr. Ho was an independent non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited), a company listed on GEM of the Stock Exchange (stock code: 8226), which principally engages in securities brokerage, underwriting, placements, money lending and investment, where he was responsible for providing independent advice to the board of directors of the company. From February 2015 to October 2016, Dr. Ho was an independent non-executive director of Asia Resources Holdings Limited, a company listed on the Main Board (stock code: 899), which principally engages in water exploitation operations and property development and investment business in the PRC, where he was responsible for providing independent advice to the board of directors of the company. Dr. Ho has confirmed that, upon his resignation in the above three listed companies, he was no longer involved in the management or business development of the same. Since April 2019, Dr. Ho has been an executive director and chief executive officer of CT Vision (International) Holdings Limited (formerly known as Win Win Way Construction Holdings Ltd.), a company listed on the Main Board (stock code: 994), which principally engages in the provision of construction services, where he was responsible for overseeing the daily operations of the company. As at the Latest Practicable Date, CT Vision (International) Holdings Limited was owned as to approximately 56.5% by CT Vision Investment Limited, which in turn was owned as to approximately 22.4% by Dr. Ho.

Investment of CT Vision

Dr. Ho became acquainted with Mr. Lo on a social occasion in around 2017 and learnt about the business of CK Woodworks from Mr. Lo. At the material time, our Group aimed at exploring expansion plans in the PRC market. Dr. Ho with his network and resources may provide synergy to our Group. He decided to invest in our Group in light of the prospects and the potential growth of our Group and the construction industry.

Our Directors are of the view that Dr. Ho not only can provide funds to our Group for business expansion, but can also contribute to the business development of our Group with his business connections in Hong Kong and the PRC and his experience and expertise in the Hong Kong capital market and corporate governance by virtue of his various directorships in listed companies in Hong Kong.

On 22 October 2018, the Pre-IPO Agreement was entered into between our Company, Magnificent Faith and CT Vision, pursuant to which (i) our Company agreed to allot and issue and CT Vision agreed to subscribe for 550 Shares credited as fully paid at the consideration of HK\$11,000,000; and (ii) Magnificent Faith agreed to transfer 2,000 Shares to CT Vision at the consideration of HK\$40,000,000. The consideration for the subscription of 550 Shares and transfer of 2,000 represented a P/E ratio of approximately 3.2 times of the audited net profit after tax of CK Woodworks for the year ended 31 March 2018 and was arrived at after arm's length negotiations between the parties taking into account the net profit after tax of CK Woodworks for the year ended 31 March 2018 and CK Woodworks' actual financial performance, contracts on hand and financial forecast, which is also considered comparable to the key input used in determining the fair value of CK Woodworks in October 2018 as assessed by an independent valuer and the prospects of the construction industry in Hong Kong. After the aforesaid subscription and transfer which were completed on 16 September 2019, our Company was owned as to 74.5% by Magnificent Faith and 25.5% by CT Vision.

The following table sets out the summary of the investment of CT Vision:

Name of the Pre-IPO Investor:	CT Vision
Date of the Pre-IPO Agreement:	22 October 2018
Consideration:	HK\$51,000,000 (HK\$11,000,000 for the subscription of 550 Shares and HK\$40,000,000 for the transfer of 2,000 Shares)
Date of settlement of consideration:	<p>Subscription of Shares</p> <p>26 October 2018 – HK\$1,000,000</p> <p>29 April 2019 – HK\$10,000,000</p> <p>Transfer of Shares</p> <p>20 June 2019 – HK\$20,000,000</p> <p>21 June 2019 – HK\$20,000,000</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shareholding in our Company upon completion of the investment:	25.5%
Approximate shareholding in our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):	19.1%
Investment cost per Share on the basis of the enlarged share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) and discount to mid-point of the Offer Price range:	Approximately HK\$0.27, representing approximately 50.6% discount to the mid-point of the indicative Offer Price range
Use of proceeds in respect of the subscription of Shares:	Fully utilised as at the Latest Practicable Date for general working capital of our Group and settlement of expenses incurred for the purpose of the Listing.
Strategic benefits that the Pre-IPO Investor will bring to our Group:	CT Vision is expected to assist our Group in expanding and developing PRC markets through Dr. Ho's business connections. Dr. Ho has provided advice and business insights to our business operations and assisted in the establishment of our PRC subsidiaries. Dr. Ho has extensive networking in the PRC and he may be able to introduce property developers and/or contractors in the PRC to our Group to explore business opportunities in the PRC in the construction industry subject to the relevant rules and regulations. Having a well-established track record in Hong Kong, it is beneficial to our Group to have opportunities to explore potential business in other regions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights:	Nil
Lock-up:	Nil

Dr. Ho has not been involved in our Group's operation and management since his investment in our Group via CT Vision. Dr. Ho has various other commitments as set out in the paragraph headed "Pre-IPO Investment — Background of CT Vision and Dr. Ho" in this section above and cannot devote much time to take on the role of a Director. With Dr. Ho's connection, Dr. Yang Tao was introduced to our Board for business synergy. Our Board is of the view that Dr. Yang Tao may provide strategic advice to the business development to our Group and hence invited him to be a non-executive Director of our Company. For further information on the biography of Dr. Yang Tao, please refer to the section headed "Directors and Senior Management" in this prospectus.

Save for the Pre-IPO Agreement, there is no agreement, arrangement or understanding, whether formal or informal, between Mr. Lo and Dr. Ho, or any of their respective associates, in relation to the Listing, the ownership and/or management of our Group.

Public float

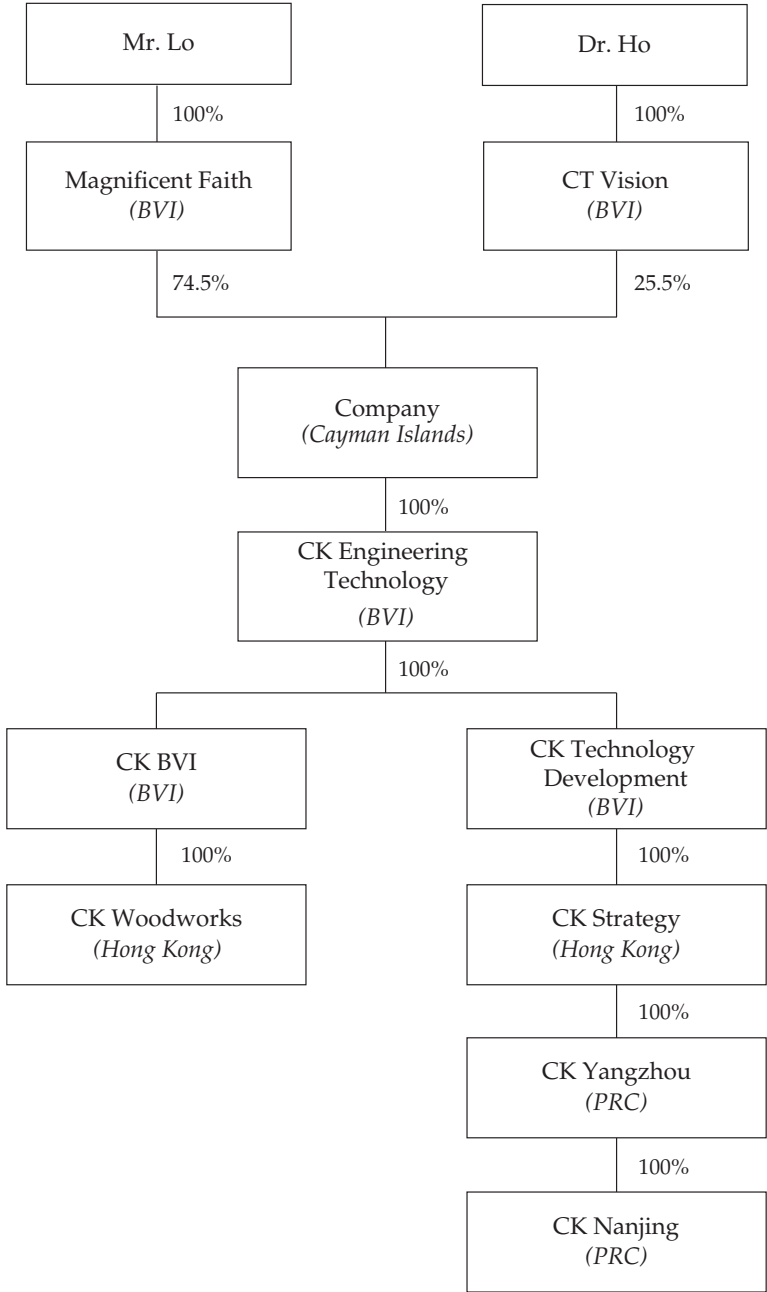
As each of CT Vision and its ultimate beneficial owner is a core connected person of our Company, Shares held by CT Vision will not be counted towards the public float after the Listing.

Sponsor's confirmation

Given that (i) no special rights have been granted to CT Vision in respect of its investment; (ii) our Directors have confirmed that the terms of the investment of CT Vision (including the considerations) were determined after arm's length negotiations between the parties and taking into account the audited profit after tax of CK Woodworks for the year ended 31 March 2018 and the prospects of the construction industry in Hong Kong; and (iii) the consideration under the Pre-IPO Agreement was fully settled on 21 June 2019, which was more than 28 clear days before the date of the first submission of the listing application, the Sponsor is of the view that the Pre-IPO Investment by CT Vision is in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange whereas the "Guidance on Pre-IPO Investments in convertible instruments" (HKEx-GL44-12) is not applicable to the Pre-IPO Investment.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

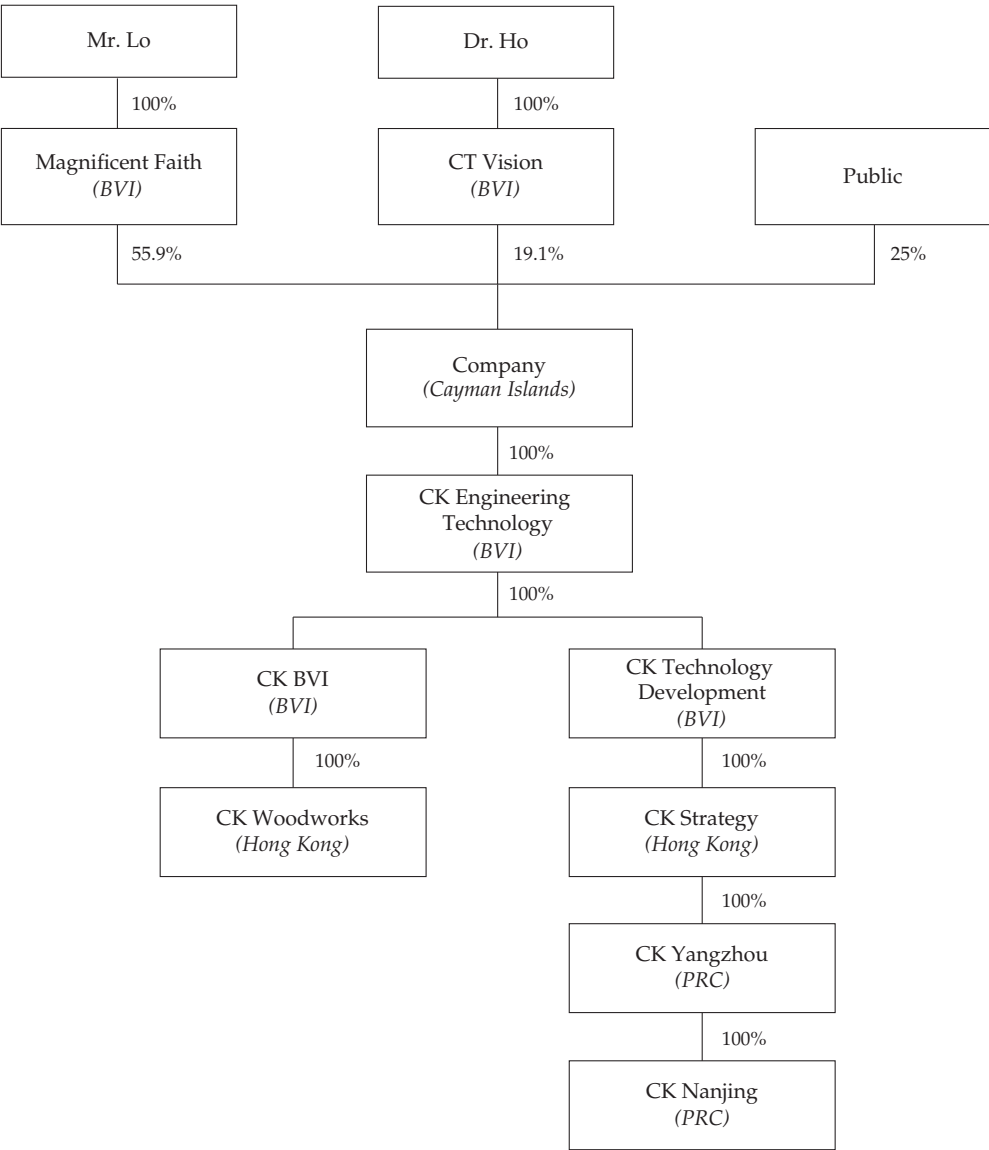
The following chart sets out the shareholding structure of our Group immediately following the Pre-IPO Investment, but prior to the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Conditional upon the share premium account of our Company being credited as a result of the issue of new Shares pursuant to the Share Offer, an amount standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full 749,990,000 Shares at par for allotment and issue to Magnificent Faith and CT Vision, to enable them to maintain their aggregate shareholding in our Company at a percentage of not more than 75% of the enlarged issued share capital of our Company (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

The following chart sets out the approximate shareholding structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a Hong Kong-based formwork contractor, mainly engaged in the provision of formwork services, comprising of: (i) conventional formwork which is built on-site by mainly using timber and plywood; and (ii) prefabricated formwork which is built out of prefabricated modules by mainly using aluminium and steel. During the course of providing our formwork services, we may also be requested by our customers, in the form of variation orders, to provide other construction services, including plastering, installing curtain wall and other miscellaneous works on an ancillary basis. According to the Frost & Sullivan Report, we are one of the leading service providers in the formwork industry in Hong Kong with a market share of approximately 11.0% in terms of revenue for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020.

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

	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Formwork services	978,647	96.5	499,968	95.2	683,151	99.6
– Conventional formwork	452,256	44.6	289,985	55.2	295,085	43.0
– Prefabricated formwork	526,391	51.9	209,983	40.0	388,066	56.6
Other construction services	35,021	3.5	25,185	4.8	2,702	0.4
Total revenue	1,013,668	100	525,153	100	685,853	100

Formwork is the temporary supporting structures and moulds used in construction where concrete is poured in and to be moulded into the required structural shape and size. There are many different types of formwork built using timber, plywood, steel or aluminium. When we undertake a formwork project, we are generally responsible for project planning and implementation, procurement of materials, quality control and overall management of our direct labour and workers of our engaged subcontractors in carrying out the implementation of formwork services in accordance with the main contractors' requirements and specifications. With more than 20 years of track record in the formwork industry in Hong Kong, we consider that our Group has accumulated sufficient skills and experience in handling various technically complicated and/or sizable formwork projects, and participated in a number of remarkable construction projects in Hong Kong, such as Project W036 in relation to the waterpark in Ocean Park and Project W039 in relation to the Hong Kong Children's Hospital in Kai Tak.

For FY2018, FY2019 and FY2020, our Group recorded revenue of approximately HK\$1,013.7 million, HK\$525.2 million and HK\$685.9 million respectively.

The substantial drop in our revenue in FY2019 was mainly attributable to (i) the decrease in revenue from both the private and public sectors as substantial portion of certain large-scale projects was completed in FY2018; and (ii) delay in a number of large-scale projects during FY2019, and in particular, the unexpected delay in the

BUSINESS

commencement dates of Project W046 and Project W047. For the reasons of the delay of Project W046 and Project W047 and their latest status, please refer to the paragraph headed “Our projects — Backlog — Reasons for the fluctuation in backlog and delay in Project W046 and Project W047” in this section below for more details.

For FY2018, FY2019 and FY2020, we completed 14, 11 and seven projects respectively. The formwork projects undertaken by us originated from both the public sector (including projects where the ultimate employers are mainly government bodies) and private sector (including projects where the ultimate employers are mainly property developers). We generally provide formwork services as a subcontractor to our customers which are principally main contractors of these public or private construction projects in Hong Kong. For FY2018, FY2019 and FY2020, our five largest customers in aggregate accounted for approximately 92.7%, 95.5% and 91.8% of our total revenue respectively, having established business relationship with us ranging from one to 18 years.

During the Track Record Period, our suppliers and subcontractors mainly include (i) suppliers of timber, plywood, aluminium and steel mould, scaffolding equipment and other equipment; and (ii) subcontractors for carrying out the formwork and other construction services in our projects. For FY2018, FY2019 and FY2020, (i) our five largest subcontractors in aggregate accounted for approximately 70.2%, 71.5% and 70.0% of our total subcontracting charges respectively; and (ii) our five largest material suppliers in aggregate accounted for approximately 82.1%, 73.3% and 81.5% of our total material costs respectively.

COMPETITIVE STRENGTHS

Our experienced management team under the leadership of our founder, Mr. Lo, has nurtured the growth of our Group to our current staff strength of over 700 employees and the successful bidding of high value contracts. We believe that our competitive strengths set out below have driven the growth in our business and financial performance.

- (1) We are a leading formwork contractor with more than 20 years of track record in Hong Kong, which enable us to maintain a stable business relationship with our customers**

According to the Frost & Sullivan Report, as of May 2020, there were 860 contractors registered under the concreting formwork category of the Construction Industry Council. For FY2020, the top five players took up approximately 41.2% of the entire formwork services market in Hong Kong. Our Group has demonstrated outstanding performance in the market, according to the Frost & Sullivan Report, we are one of the leading service providers in the formwork industry in Hong Kong with a market share of approximately 11.0% in terms of revenue in Hong Kong for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020.

BUSINESS

With more than 20 years of track record in the formwork industry, our Group had developed our reputation as a dedicated formwork contractor. We have cultivated and maintained stable and long-term business relationships with our major customers which are principally main contractors, a majority of which are Hong Kong listed companies or their subsidiaries. During the Track Record Period, the majority of projects awarded to us were from recurring customers. For FY2018, FY2019 and FY2020, our five largest customers accounted for approximately 92.7%, 95.5% and 91.8% of our revenue respectively. As at 31 March 2020, our five largest customers during the Track Record Period had established business relationships with us ranging from approximately one to 18 years. In light of our established market reputation of timely completing formwork projects and our capability to carry out technically complicated and/or sizable projects in accordance with our customers' requirements, we are often informed by our customers of upcoming projects in the market and are invited to provide quotations along with their open tenders. By consistently providing quality formwork services and maintaining close and stable relationship with our customers, we believe that we have earned our customers' confidence which would in turn provide stable revenue to our Group.

For FY2018, FY2019 and FY2020, we completed 14, 11 and seven formwork projects respectively. As at 31 March 2020, the outstanding revenue to be recognised for our projects on hand was approximately HK\$1,064.9 million. Our Directors believe that our successful completion of projects of various scales and scopes during the Track Record Period has enhanced our reputation in the industry and has given us a competitive edge in securing new projects in both public and private sectors. Our ability and past track record to satisfy our customers' requirements on a timely basis can allow us to gain customers' confidence and build our reputation in the formwork industry for attracting more business opportunities in the future.

(2) We have maintained good quality of formwork services through our quality control and stable relationships with our major material suppliers, subcontractors and more than 700 formwork workers as at the Latest Practicable Date

During the Track Record Period, our suppliers mainly included (i) subcontractors such as carpenters and metal formwork erectors, who carried out the implementation of our formwork and other construction services; and (ii) material suppliers who provided formwork and other construction materials used in the projects. Our Group has established and maintained a stable working relationship with a network of suppliers and subcontractors. Some of our major suppliers have established business relationship with us for over 10 years. Through our past dealings with our suppliers and subcontractors, we have acquired sufficient appreciation of their expertise and strengths. Our internal list of approved suppliers and subcontractors, which includes more than 40 material suppliers and subcontractors that are able to meet our requirements, enables us to have flexibility in pricing and selection. Our Directors consider that the relationship with a relatively large number of material suppliers and subcontractors could also reduce the risk of shortage or delay in delivery of materials or services causing material disruption to our works. Apart from maintaining long-lasting and stable relationships with our selected subcontractors, our Group has also recruited adequate direct labour force with more than 700 formwork workers, details of which please refer to the paragraph headed "Employees" in this section below. Considering the continuous work demand from our customers, our

Directors believe that forming a project team with a mix of our direct labour force and our selected subcontractor could uphold the quality control of our formwork services and ensure sufficient manpower to complete our formwork projects in a timely manner, while saving our resources from retaining a large number of permanent staff, and at the same time preserving our bargaining power on subcontracting charges over our selected subcontractors.

(3) We have a dedicated management team with extensive industry experience

Our management team with extensive industry and operational experience in the construction field and the formwork industry in Hong Kong is instrumental to our Group for our business operations and future expansion plans. Our executive Directors and senior management team comprise a group of highly experienced individuals in the construction and formwork industry. Mr. Lo (our founder, chairman of our Board and executive Director) has over 30 years of extensive experience in the formwork industry and has established close working relationships with our customers, suppliers and subcontractors, which is integral to the success of our Group. Mr. Lo and Mrs. Lo, our executive Directors, possess over 20 years of work experience in the formwork industry in Hong Kong. They have deployed strategies for continued growth of our business, and built our relationships with a number of major main contractors in Hong Kong throughout our track record. Our executive Directors and senior management members are supported by a growing and dedicated staff force. For details of the experience of our senior management team, please refer to the section headed “Directors and Senior Management” in this prospectus. Under the leadership of our management team, we have built up our construction works capacity, expanded our service types and enhanced our market presence. We believe that the broad know-how and industry knowledge acquired and accumulated over the years by our management team have been and will continue to be beneficial to our business and future prospects.

Each of our project managers has near 20 years of experience in the construction industry. We believe that both our experienced project management team and project teams have contributed to our success. Moreover, the extensive experience of our executive Directors and project management team has also helped us obtain word-of-mouth recommendations and invitations to the tendering process of our customers. Without the contribution of our management, we would not have been able to achieve all the competitive strengths as mentioned above.

Our ability to execute projects profitably comes from our track record, which allows us to build up our competencies and experience in various key aspects of successful project execution, such as ability to plan and carry out the works in a cost and time effective manner. This will require an experienced project team that includes our project managers, foremen and direct workers. As at the Latest Practicable Date, we had more than 700 formwork workers directly involved in project implementation which allows us to undertake projects of various nature and from customers of different background.

OUR BUSINESS

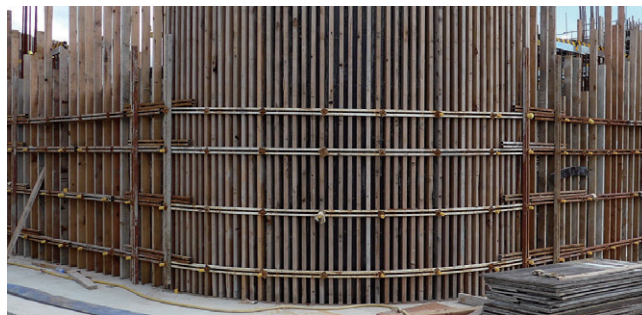
We are a formwork subcontractor in Hong Kong and we have been established with over 20 years of track record. Our scope of services mainly comprises (i) formwork services; and (ii) other construction services.

(1) Formwork services

Formwork forms an essential and indispensable step for concrete building construction. Formwork is the temporary support structures and moulds used in construction where concrete is poured in and to be moulded into the required structural shape and size. After the fresh concrete is hardened in forms of the desired dimensions, the formwork will be removed. There are many different types of formwork built using timber, plywood, steel or aluminium. On a case-by-case basis, different formwork plans are adopted for different building components.

During the Track Record Period, we were generally engaged by our customers for two types of formwork services, namely, (i) conventional formwork which was built on-site by mainly using timber and plywood; and (ii) prefabricated formwork which was built out of prefabricated modules by mainly using aluminium and steel. The following table sets out our two types of formworks for illustration purpose:

Type of formwork	Major materials used	Advantages	Disadvantages
Conventional formwork	Timber and plywood	<ul style="list-style-type: none"> (i) High adaptability to different and complicated shapes (ii) Lower material cost 	<ul style="list-style-type: none"> (i) Time-consuming for larger structures (ii) Tendency to warp, swell and shrink with relatively low reusability (iii) Labour and skill intensive



BUSINESS

Type of formwork	Major materials used	Advantages	Disadvantages
Prefabricated formwork	Aluminium and steel	<ul style="list-style-type: none"> (i) High reusability (ii) Less demanding on skill and less labour force required for erecting and striking formwork (iii) Better concrete finish 	<ul style="list-style-type: none"> (i) Low flexibility as design cannot be easily changed after the formwork is fabricated (ii) Higher material cost



According to the Frost & Sullivan Report, in recent years, the construction industry has been facing problems of labour shortage and ageing workforce while housing demand has remained strong. The construction industry has been proactively searching for innovative construction methods and advanced technology to reduce the reliance on labour and to enhance productivity. The comparatively large scale and extensively repetitive nature of housing developments permits the use of highly mechanised construction methods which involve the use of advanced construction plant and prefabrication technology to reduce the reliance on labour for construction activities while enhancing productivity as well as safety on-site. Such prefabricated construction makes use of readily assembled components that are prefabricated off-site which will be connected on site into a permanent structure in a convenient and structurally strong manner. Such prefabricated structure is often produced in factories. The subsequent assembly and installation process carried out on site can save up a significant amount of formwork and falsework and result in higher productivity especially when standardised design is adopted.

Such prefabricated construction can normally be carried out at a higher pace with easier supervision and at a reduced cost as compared to conventional construction methods. The most popular application of such prefabricated construction in Hong Kong is found in the Hong Kong Housing Authority's projects for the construction of public houses which uses precast concrete ("PCC") to replace part of the structural components in the permanent structure. The applications are limited to semi-fabricated structures using a certain number of precast concrete components only, instead of constructing the entire building all in prefabricated components.

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Though prefabricated construction exhibits quite a number of benefits over conventional construction methods, it is still not popularly accepted in the construction of buildings in Hong Kong. One of the major reasons is that prefabricated construction using PCC components cannot produce a very rigid structure. This drawback becomes more significant when used in high-rise buildings where huge lateral wind load has to be taken into account. The reason for such insufficient rigidity was mainly due to the joints of the major elements. Furthermore, prefabricated construction generally requires a longer period of coordination for structural design, construction planning, procurements and approval procedures. Also, more material cost, preparation time and working space need to be allocated for the production of the precast elements until they are delivered to site to start installation. The Hong Kong Housing Authority has been exploring to extend the use of PCCs such as precast structural walls and corridor slabs where practicable to further enhance buildability and productivity.

The type of formwork services we provide is generally dependent on our customers' project requirements and specifications. For FY2018, FY2019 and FY2020, we recorded revenue from conventional formwork of approximately HK\$452.3 million, HK\$290.0 million and HK\$295.1 million respectively and revenue from prefabricated formwork of approximately of HK\$526.4 million, HK\$210.0 million and HK\$388.1 million respectively.

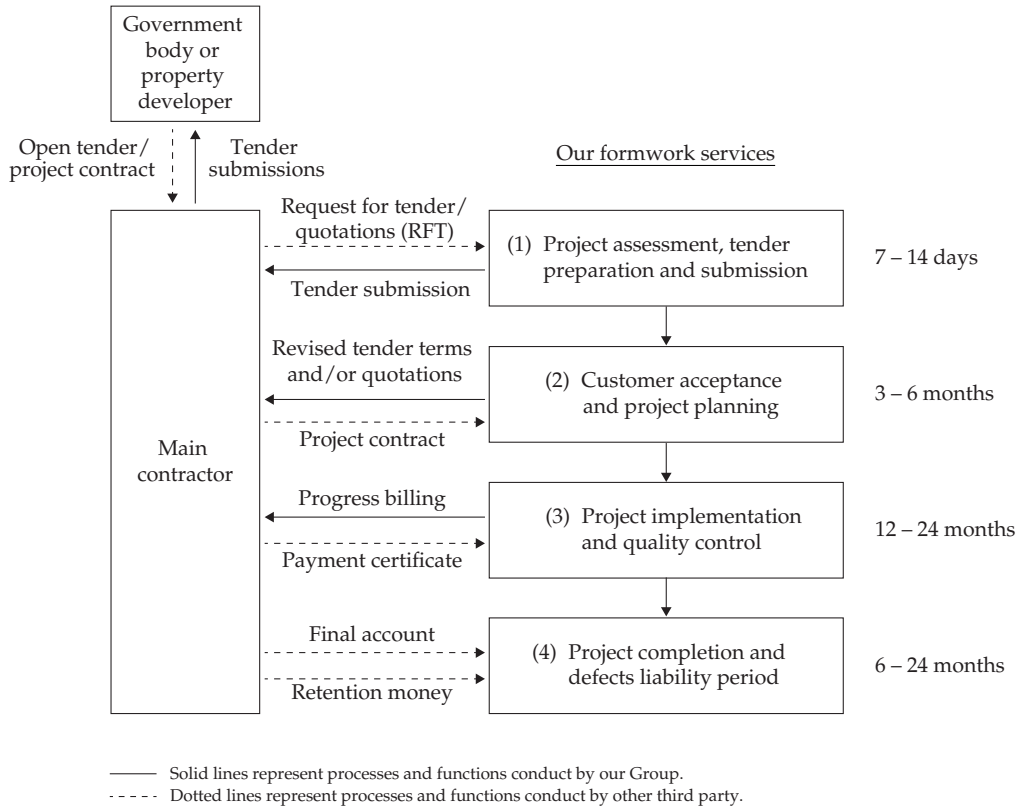
Our Directors are of the view that our Group has accumulated extensive experience and skills to undertake projects involving conventional formwork as well as prefabricated formwork, which allow us to be able to benefit from these new initiatives while remaining competitive in the market.

(2) Other construction services

During the course of providing our formwork services, we may also be requested by our customers, in the form of variation orders, to provide other construction services, including plastering, installing curtain wall and other miscellaneous works on an ancillary basis. For FY2018, FY2019 and FY2020, we recorded revenue from other construction services of approximately HK\$35.0 million, HK\$25.2 million and HK\$2.7 million respectively, representing approximately 3.5%, 4.8% and 0.4% of our total revenue respectively.

OUR BUSINESS MODEL AND OPERATION FLOW

Our operation flow of typical formwork services is summarised as below:



(1) Project assessment, tender preparation and submission

(a) Request for tendering/quotation ("RFT")

In Hong Kong, property developers usually initiate construction projects and engage main contractors by way of open tender to take up the responsibility of the overall administration and supervision of the whole or part of the construction projects. Main contractors usually do not carry out all the construction works by themselves but delegate specific works, such as the formwork works, to different subcontractors. Our Group, acting as a formwork contractor, obtains formwork projects mainly through receiving invitations to tender or requests for quotation from main contractors.

In order to prepare a tender document to the project developer, generally, before the main contractor is awarded with a project, the main contractor would request for quotation from a number of formwork contractors, such as our Group, to provide a preliminary quotation for undertaking the formwork construction. Based on the industry practice and our experience, such preliminary quotation generally serves as a reference for the main contractor to facilitate their cost assessment to tender for the construction projects, usually subject to further negotiation and confirmation at subsequent stages. Normally, there will be no formal open tender process in the selection of formwork subcontractors by the main contractors. We generally receive invitations for preliminary quotations from main contractors which have previously engaged us in other projects or via business referrals. After the main contractors are awarded with the construction contracts, they will request their selected formwork contractor(s) whom they have previously approached, for a formal tender/quotation submission. The RFT normally sets out the project specifications, such as site location, types and methodology of formwork required, project timeframe and design drawings. We are generally required to submit a formal tender/quotation within one to two weeks after receiving the RFT.

(b) Tender/quotation preparation and submission

Before submitting tender proposal to the main contractor, our tendering department is responsible for preparing a tender proposal/quotation based on the information provided by the main contractor. The actual content of our tender proposal or quotation submitted to the main contractor depends on the project nature and requirements stated in the tenders. If we decide to submit a quotation for a project, we will study the specifications and prepare an all-inclusive quotation and other documents as required under the tenders. For details of our pricing strategy, please refer to the paragraph headed “Sales and Marketing — Our pricing strategy” in this section below. Details of our submission are reviewed and approved by our Directors before submission.

(2) Customer acceptance and project planning

(a) Customer acceptance

Generally, after the tender submission by our Group, the main contractor may, by way of interview or enquiry letter, clarify and negotiate with us on the particulars of our tender proposal, which usually include but not limited to, project timeframe, materials and equipment to be used and number of workers expected to be engaged for the project. We may revise the terms of tender and/or submit revised quotations based on the request of the main contractor. It generally takes about three to six months for our customers to consider our tenders/quotations, for which the reviewing time required by our customers mainly depends on the complexity of the projects and number of queries they send to us or other bidders.

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To the best of our Directors' knowledge, the selection criteria will be determined on a case-by-case basis, which generally include a number of factors, such as: (i) the quotation price; (ii) schedule of delivery of services; (iii) industry experience of the subcontractor; (iv) track record of and past business dealings with the subcontractor; (v) financial position of the subcontractor; and (vi) market reputation of the subcontractor. Based on the review results, the main contractors will issue a letter of intent or letter of award to confirm our engagement and we generally enter into a formal agreement with the customer once the contract terms are finalised. For details of the major contract terms with our customers, please refer to the paragraph headed "Customers — Key contract terms with our major customers" in this section below.

Based on our experience and past cooperation with the major main contractors in Hong Kong, if we do not receive any information from the main contractor by six months after our tender/quotation submission, we will assume our bid has failed and we will review and adjust our strategy in future tender submissions.

(b) Project planning

To balance a stable supply of construction labour, the cost and the risk of employing a large amount of labour, we usually form a mixed project team with both our direct labour and workers from our subcontractors for the formwork projects which we undertaken. We maintain an internal list of approved subcontractors, and we have kept stable and good business relationship with our major subcontractors for at least four years. Our Group is not limited to only engaging the existing subcontractors on our approved list. We will also consider to seek business cooperation with new subcontractors so as to expand our base of subcontractors and maintain a stable source of labour for project implementation. We select our subcontractors based on a number of criteria, such as prices offered, schedule of delivery, quality of services in the past, safety performance and reputation.

We generally enter into standard subcontracts with our subcontractors with key terms and conditions, including the scope of works, the contract price and payment terms, specified. For details on our subcontracts, please refer to the paragraph headed "Suppliers and Subcontractors — Key terms of subcontracting engagement" in this section below.

The formwork materials used in our projects are usually procured by us. The costs of purchasing materials and usage of equipment would usually be borne by us pursuant to our all inclusive quotation. In view of the increasing popularity of prefabrication construction practices, some main contractors also request us to provide additional quotations for installation of prefabrication modules during the RFT or interview stages. Some main contractors also include terms for installation of prefabrication modules in the project contracts with us.

BUSINESS

The materials we obtain from our suppliers mainly include timber, plywood, aluminium and steel temporary moulds. The materials required in our formwork works are normally procured on a project-by-project basis and we do not maintain any inventory. Consumables such as iron nails, screws and rubber sleeves, and equipment required for carrying out the works such as electric saws, electric drills and other cutting machines, are provided by us. In addition, as our subcontractors are not required to provide scaffolding equipment pursuant to their subcontracts with us, we generally provide the required scaffolding equipment to our subcontractors to support our formwork structure on a project-by-project basis.

(c) *Project team formation*

The on-site formwork works are carried out by our subcontractors and/or our direct formwork workers while our project team mainly focuses on the overall planning, management and supervision of work schedules, quality and safety control in relation to the formwork workers, materials, equipment and other resources required at work sites. Depending on the level of complexity and scale of the formwork works projects, our project team generally comprises project manager, safety supervisor, quantity surveyor and formwork worker.

Set out below are the main responsibilities of the major roles of our project team:

Major role	Key responsibilities
Project manager	Overall project planning and monitoring the overall progress of the project and compliance with the statutory and contractual requirements of the project on a continuous basis
Safety supervisor	Performing safety checks at project sites to ensure compliance with all applicable laws and regulations on safety
Quantity surveyor	Assessing quantity of completed works, preparing payment submissions and assisting in the preparation of final account application
Formwork worker	Performing erection of formworks at construction sites

Depending on the complexity of the design of the building and based on the experience of our project management team, the construction cycle of a typical floor (i.e. to complete steps one to five set out below) generally takes four to seven days, and not more than ten days. Sometimes, our customers would request us to submit tenders with our estimation in respect of the length of construction cycles for completion of the formworks erection on a typical floor of a building based on the requirements of individual customers. In general, the shorter the project implementation time required by our customers, we have to allocate more labour and resources in order to complete the required works in a timely manner.

(3) Project implementation and quality control

(a) Project implementation

Engineers and architects of the main contractors will provide the technical drawings and the specifications of the concrete structure to us. Set forth below is a simplified work procedure of a typical floor of our formwork works for illustration of our business activities, which is summarised based on our project management experience and industry practice:

Step one: Receipt of formwork materials on site

After the formwork materials are delivered to the construction sites, and we will unload, verify and examine their quantity and basic quality to ensure that all items are properly received.

Step two: Construction surveying

Based on the drawing provided by the engineers and architects, construction surveying will be conducted on site. Construction surveying involves staking out lines and reference points that will guide the construction of the formworks, and to ensure that such formwork are fixed in position in accordance with the construction drawings.

Step three: Formwork erection

Formwork is set up and positioned into formwork panels of designated size and shape according to the setting outlines. The formwork panels are cleaned and coated with a release agent, a kind of chemical used to prevent the impurities from bonding to surfaces. The formwork panels are then erected in place to form the mould for the walls, columns, beams and slabs. After erecting the formwork, the vertical and horizontal alignments are checked. Tolerance is limited to millimetres to ensure that the formwork erected will not deviate from the original design.

Step four: Concrete pouring

Steel bar reinforcement will then be fixed in accordance with the requirements in the construction drawings and specification by the steel fixing subcontractor. We will then inspect the formwork again to ensure that the formwork panels are properly connected after such steel fixing. Concrete is then poured with the aid of appropriate equipment after checking that the condition of formwork is firm enough to withstand the concreting process. Generally, concreting process is performed by other concreting subcontractors engaged by the main contractor instead of our formwork workers.

Step five: Striking of the formwork

The process of removing the formwork, termed “striking”, will commence after the concrete has hardened and gained the required strength. Normally, wall formwork and column formwork can be struck after 12 hours, but the waiting time for striking varies from project to project. Nails and bolts have to be removed or bent in order to remove the formwork. Formwork panels suitable for reuse will be lifted to the upper floor of the same project for future erection.

Steps one to five are the general construction cycle for each typical floor; hence, steps are repeated similarly as on the upper floor. Construction workers are usually responsible for one to two work steps. To enhance working efficiency, construction work sites are usually divided into various work zones in order to allow for more work fronts for workers to perform their works concurrently.

(b) Variation orders

Our customer may, in the course of project implementation, place orders concerning variation to part of the works under the original contract. Such orders are commonly referred to as variation orders. Variation orders may include addition, omission, substitution, modification, alteration of works and changes in dimension, specifications or time schedule of works.

If the nature of work of the variation order is covered under our quotation or bill of quantity, the scope and fees of our works under such variation order will be adjusted accordingly. If we are required to carry out variation works not covered in our quotation or project contract, our customer will notify us and provide a description of the works to be carried out for such variation order. In general, our quantity surveyors will, based on the variation of construction works required to be conducted, prepare and submit quotation for such variation order with detailed assessment to our customer for approval.

(c) Customer inspection and progress billing

We generally do not receive any sums as prepayment from our customers after being awarded with a formwork project. The revenue recognised from a construction project is commensurate with the value of the works performed by us. In accordance with the terms of our contracts entered into with our customers, we are generally required to submit to our customers monthly payment applications which are written statements of the value of our work done under the contracts, along with any variation orders performed. In the course of performance of the formwork projects, our customers generally inspect our work done, monitor the progress of our formwork services, supervise our health and safety performance, provide training to the workers and arrange on-site project meetings from time to time. Our customers will assess the payment applications and certify the amount we are entitled to be paid for the relevant month. Our customers will issue payment certificates to us after certifying our monthly payment applications based on their assessment of work done by us. Upon issuance of the payment certificates, it generally takes about 14 to 60 days for our customers to arrange payments to us via cheque or bank transfer. Our customers will usually retain an amount up to 10% of the value of our works done, subject to a maximum limit of 5% of the total contract sum, as retention money.

We pay our subcontractors on a monthly basis, based on our subcontractors' payment applications and our assessment procedures. We normally assess the payment applications from our subcontractors and settle the payment by cheque within 15 days upon receiving the payment applications. We are usually required to pay our subcontractors and suppliers before receiving payments from our customers, resulting in an increase in our working capital requirements. For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our Group may need to incur various upfront costs before receipt of payments from customers, and such cash flow mismatch may materially and adversely affect our liquidity and financial position" in this prospectus.

(4) Project completion and defects liability period

(a) Projection completion

In general, we regard a project as practically completed (excluding the defects liability period) once we have completed all the works as required in the contract entered into with our customers. We will then remove workers from the construction sites such that our customers and their other subcontractors can continue with their remaining works according to the construction work programme. We will then submit a final account application to our customers, which sets out the final outstanding balance due from our customers after our part of works is regarded as practically completed.

In order to ensure due completion of our project, our customers will usually be given the right to withhold retention money as mentioned above. Part of the retention money will generally be released to us after the execution of the final account or the issuance of the certificate of completion of our formwork services, while the remaining part of the retention money will generally be released to us upon completion of the whole construction project or expiry of the defects liability period and the completion of all the rectification works to the full satisfaction of the ultimate employers of the construction projects and the main contractors. As at 31 March 2020, the retention money withheld by our customers for completed works amounted to approximately HK\$105.3 million.

(b) Defects liability period

In general, subject to the requirements of different projects, we are required by our customers to provide a defects liability period during which we remain responsible for rectifying any defects or imperfections in relation to our works performed. Our subcontractors will rectify the defects identified by our customer during such period. Alternatively, our customers may arrange for the rectification works and require us to bear the relevant costs. Our defects liability period will generally be a specified period, ranging from six to 24 months, after the issuance of the certificate of completion of our part of formwork services. Such period is set by our customers and stated in the contract.

OUR PROJECTS

Our completed projects

During the Track Record Period, we had completed 32 projects in Hong Kong. 14 out of the 32 completed projects had aggregated contract sum of HK\$50.0 million or above. All our formwork projects are awarded through either competitive tendering process or quotation invitations. The average duration for our completed projects is approximately 21.0 months during the Track Record Period.

BUSINESS

The following table sets forth details of the 14 completed projects with aggregated contract sum of HK\$50.0 million or above during the Track Record Period:

Project no. ¹	Particulars and location of project	Customer	Sector	Scope of works	Project period ²	Aggregated contract sum ³ HK\$ million	Revenue recognised ⁴			Track Record Period HK\$ million
							FY2018 HK\$ million	FY2019 HK\$ million	FY2020 HK\$ million	
W011	Police dormitory in Kwai Chung	Hip Hing Group	Public	Prefabricated formwork	Jul 2015 – Jun 2018	82.7	7.4	1.4	1.1	9.9
W012	Fifth phase of underground station in Tsuen Wan West	Aggressive Construction Company Limited	Private	Conventional formwork	Aug 2015 – Feb 2018	181.6	14.9	3.9	-	18.8
W013	Sixth phase of underground station in Tsuen Wan West	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Aug 2015 – Feb 2018	154.2	21.5	1.5	-	23.0
W014	Second phase of public housing estate in So Uk	Shui On Group	Public	Conventional formwork	Sep 2015 – May 2018	77.1	23.8	0.9	2.0	26.7
W018	Home ownership scheme housing estate in Mui Wo	Hip Hing Group	Public	Prefabricated formwork	Feb 2016 – Feb 2018	105.8	16.2	5.4	2.9	24.5
W019	Home ownership scheme housing estate in Tin Shui Wai	Hip Hing Group	Public	Prefabricated formwork	Feb 2016 – Feb 2019	203.0	78.7	22.2	8.0	108.9
W021	Private commercial building in Kowloon Bay	Hip Hing Group	Private	Conventional formwork	Jan 2016 – Dec 2016	54.1	2.2	-	-	2.2
W023	Private residential buildings in Tseung Kwan O	Hip Hing Group	Private	Conventional formwork	Jun 2016 – Jan 2018	130.0	12.5	-	-	12.5
W026	First and second phases of public housing estate in Cheung Sha Wan	Customer B	Public	Conventional formwork and prefabricated formwork	Jul 2016 – Mar 2019	201.4	110.9	14.6	0.3	125.8
W027	Private residential buildings in Kai Tak	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Nov 2016 – May 2018	87.3	53.7	2.2	-	55.9
W030	Fifth phase of private residential buildings in Lohas Park	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Nov 2016 – Jun 2019	249.2	136.0	69.7	1.3	207.0
W035	Private commercial building in Ngau Tau Kok	Hip Hing Group	Private	Conventional formwork	Aug 2017 – Feb 2019	68.4	46.4	19.5	2.5	68.4
W038	Private commercial building in Science Park	Hip Hing Group	Private	Conventional formwork	Sep 2017 – Dec 2018	88.5	70.9	17.6	-	88.5
W039	Children's hospital in Kai Tak	Customer A	Public	Conventional formwork	Jun 2016 – Nov 2017	91.5	12.4	-	-	12.4

BUSINESS

Notes:

- (1) The works under the same project contract from the same customer and within the same development, including works under variation orders, are regarded as one project.
- (2) The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in the letter of intent/award or the payment certificates or the final account from our customers or any other internal records together with our Directors' judgement as to the practical commencement or completion of each project.
- (3) The aggregated contract sum refers to the initial contract sum as stated in the relevant letter of intent/award or the project contract together with the sum of any works due to variation orders.
- (4) The works of each project include not only the original scope of works as stated in the respective project contract but also the works under any variation orders as instructed by our customers.

Our ongoing projects

Since 1 April 2020 and up to the Latest Practicable Date, we had 23 ongoing projects with an aggregate contract sum of approximately HK\$1,807.8 million, of which approximately HK\$1,099.9 million had been recognised as our revenue during the Track Record Period and the remaining balance of approximately HK\$620.9 million and HK\$77.8 million is expected to be recognised as our revenue for FY2021 and FY2022 respectively.

BUSINESS

The following table sets forth details of all ongoing projects since 1 April 2020 and up to the Latest Practicable Date:

Project no. ¹	Location of project	Customer	Sector	Scope of works	Project period ²	Aggregated contract sum ³ HK\$ million	Revenue recognised ⁴			Track Record Period HK\$ million	Estimated revenue to be recognised ⁵	
							FY2018 HK\$ million	FY2019 HK\$ million	FY2020 HK\$ million		FY2021 HK\$ million	FY2022 HK\$ million
W031	Sixth phase of private residential buildings in Lohas Park	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Mar 2017 – May 2020	271.4	154.3	84.7	22.2	261.2	1.0	-
W034	Third phase of public housing estate in Ping Shan	Paul Y. Group	Public	Conventional formwork	Jul 2017 – Jun 2020	48.7	19.4	24.6	4.7	48.7	-	-
W036	Waterpark in Ocean Park	Customer E	Private	Conventional formwork	Aug 2017 – May 2020	153.0	54.9	58.0	40.1	153.0	-	-
W043	Public residential buildings in Tseung Kwan O	Paul Y. Group	Public	Conventional formwork	Jan 2018 – Jul 2020	48.4	8.7	12.2	21.4	42.3	6.1	-
W046	Public housing estate in Fanling	Hip Hing Group	Public	Conventional formwork and prefabricated formwork	Dec 2018 – Nov 2020	267.4	-	45.4	161.6	207.0	60.4	-
W046 ⁶	Public housing estate in Fanling	Hip Hing Group	Public	Conventional formwork	May 2019 – Dec 2020	105.2	-	-	25.6	25.6	79.6	-
W047	Vehicle examination centre in Tsing Yi	Hip Hing Group	Public	Conventional formwork	Nov 2018 – Jul 2020	123.6	-	7.9	94.8	102.7	20.9	-
W050	Police dormitory in Fanling	Shui On Group	Public	Conventional formwork	Sep 2018 – Jul 2020	27.7	-	8.2	15.8	24.0	3.7	-
W051	Primary school in Sham Shui Po	Customer Z	Public	Conventional formwork	Oct 2018 – Jul 2020	18.0	-	-	1.8	1.8	16.2	-
W053	Avenue park at Kai Tak	Customer Z	Public	Conventional formwork	Apr 2019 – Aug 2020	3.4	-	-	1.0	1.0	2.4	-
W054	Industrial building in Fanling	Customer W	Private	Conventional formwork	Sep 2019 – May 2020	6.1	-	-	5.6	5.6	0.5	-
W055	Private residential building in Kwun Tong	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Sep 2019 – Dec 2020	79.3	-	-	51.5	51.5	27.8	-
W056	Commercial building in Kai Tak	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Aug 2019 – Jan 2021	218.7	-	-	37.7	37.7	103.2	77.8
W057	Commercial building in Wanchai	Customer Y	Private	Conventional formwork	Aug 2019 – Oct 2020	15.8	-	-	6.6	6.6	9.2	-
W058	Hospital in Yau Ma Tei	Customer F	Public	Conventional formwork	Jul 2019 – Dec 2020	128.0	-	-	27.6	27.6	100.4	-
W059	Commercial building in Wong Chuk Hang	Customer Q	Private	Conventional formwork	May 2019 – Oct 2020	42.1	-	-	9.3	9.3	32.8	-
W060	Commercial building in Tsuen Wan	New Standard Construction Company Limited	Private	Conventional formwork	Jul 2019 – Dec 2020	28.3	-	-	15.2	15.2	13.1	-
W061	Commercial building in Tsuen Wan	New Standard Construction Company Limited	Private	Conventional formwork	Apr 2020 – Feb 2021	17.0	-	-	-	-	17.0	-
W062	Residential building in Kai Tak	Paul Y. Group	Private	Conventional formwork and prefabricated formwork	Oct 2019 – Mar 2021	111.0	-	-	68.7	68.7	42.3	-
W063	Community facility in Kwun Tong	Customer Z	Private	Conventional formwork	Oct 2019 – May 2020	0.5	-	-	0.3	0.3	0.2	-
W065	Private residential building in Kai Tak	Paul Y. Group	Private	Conventional formwork and prefabricated formwork	Mar 2020 – Apr 2021	69.7	-	-	10.1	10.1	59.6	-
W066	Hospital in Kwai Chung	Shui On Group	Public	Conventional formwork	Jan 2020 – Apr 2021	4.8	-	-	-	-	4.8	-
W067	University in Clear Water Bay	Build King Construction Limited	Public	Conventional formwork	Apr 2020 – Mar 2021	19.7	-	-	-	-	19.7	-
Total						1,807.8	237.3	241.0	621.6	1,099.9	620.9	77.8

BUSINESS

Notes:

- (1) The works under the same project contract from the same customer and within the same development, including works under variation orders, are regarded as one project.
- (2) The project period covers the duration of our works with reference to the actual commencement date and the actual/expected completion date of the relevant project. The actual commencement date is determined with reference to the date set out in the letter of intent/award or the payment certificates from our customers or the project contract together with our Directors' judgement as to the practical commencement of each project. The completion date (whether actual or expected) is determined with the reference to the payment certificates from our customers or the work schedule together with our Directors' judgment or estimation as to the completion of each project.
- (3) The aggregated contract sum refers to the initial contract sum as stated in the relevant letter of intent/award or the project contract together with the sum of any works due to variation orders.
- (4) The works of each project include not only the original scope of works as stated in the respective project contract but also the works under any variation orders as instructed by our customers.
- (5) The estimated amount of revenue to be recognised is based on our Directors' best estimation, which is subject to changes depending on actual status and progress billing of the projects.
- (6) Part of the variation orders under Project W046 were regarded as another project since we entered into separate contracts with the main contractor for such variation orders.

Newly awarded projects

Since 1 April 2020 and up to the Latest Practicable Date, we had five newly awarded projects, but not yet commenced, with an aggregate contract sum of approximately HK\$575.3 million, of which approximately HK\$243.6 million and HK\$288.6 million are expected to be recognised as our revenue for FY2021 and FY2022 respectively.

BUSINESS

Newly awarded projects – Not yet commenced

The following table sets forth our five newly awarded projects that were awarded to us but not yet commenced as at the Latest Practicable Date:

Project no. ¹	Location of project	Customer	Sector	Scope of works	Expected project period ²	Initial contract sum ³	Estimated revenue to be recognised ⁴	
						HK\$ million	FY2021	FY2022
W064	Skycity in Chek Lap Kok	Hip Seng Group	Private	Conventional formwork	Jul 2020 – Dec 2021	305.9	127.1	143.2
W068	Commercial district in Chek Lap Kok	Build King Construction Limited	Public	Conventional formwork	Jul 2020 – Mar 2021	12.7	8.3	4.4
W069	Terminal building in Chek Lap Kok	Build King Construction Limited	Public	Conventional formwork	Aug 2020 – Mar 2021	42.9	18.7	16.7
W070	Commercial shopping mall in Kai Tak	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Sep 2020 – Sep 2021	96.4	36.5	59.9
W071	Stadium in Kai Tak	Hip Hing Group	Public	Conventional formwork	Aug 2020 – Aug 2021	117.4	53.0	64.4
Total						575.3	243.6	288.6

Notes:

- (1) The works under the same project contract from the same customer and within the same development, including works under variation orders, are regarded as one project.
- (2) The expected project period covers the duration of our works with reference to the expected commencement date and the expected completion date of the relevant project. The expected commencement date and expected completion date are determined with the reference to the work schedule together with our Directors' judgement or estimation as to the expected commencement and completion of each project.
- (3) The initial contract sum refers to the contract sum as stated in the relevant letter of intent/award or the project contract, and does not include any works due to variation orders.
- (4) The estimated amount of revenue to be recognised is based on our Directors' best estimation, which is subject to changes depending on actual status and progress billing of the projects.

BUSINESS

Backlog

The following tables set out the movement of the number of projects with revenue contribution to us and the movement of awarded contract value corresponding to these projects during the Track Record Period:

	FY2018	FY2019	FY2020
Projects brought forward from prior period	22	18	14
New projects awarded during the period	10	7	19
Projects completed during the period	14	11	7
Projects carried forward to the next period	18	14	26
	FY2018	FY2019	FY2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Outstanding revenue to be recognised as at the beginning of the period	973.1	503.9	488.7
Contract value of new projects awarded during the period	539.7	505.2	1,216.2
Amount of variation orders received during the period	4.8	4.8	45.9
Revenue recognised during the period	(1,013.7)	(525.2)	(685.9)
Outstanding revenue to be recognised as at the end of the period	503.9	488.7	1,064.9

BUSINESS

Reasons for the fluctuation in backlog and delay in Project W046 and Project W047

In general, the manpower and resources we require for undertaking a project is subject to its respective scale, size and work schedule. Hence, the number of projects we undertake each year would vary substantially. Our management team would take into account our available manpower and resources as well as the amount of work required for outstanding contracts on hand at an ongoing basis in assessing our capacity to tender and undertake any new projects.

For FY2018, FY2019 and FY2020, the contract value of new projects awarded and variation orders was approximately HK\$544.5 million, HK\$510.0 million and HK\$1,262.1 million respectively. During the Track Record Period, the average contract value of new projects awarded was approximately HK\$62.8 million.

At the beginning of FY2018, benefiting from strong demand in the construction market in 2017, our Group had a relatively high level of outstanding revenue to be recognised, amounting to approximately HK\$973.1 million. As a result, our management team had prioritised our manpower and resources in carrying out the projects on hand during FY2018. Meanwhile, in view of the limitation of our manpower, capacity and resources at that time, our management team tended to be less aggressive in submitting new tenders in response to the invitations received from customers, which in turn resulted in a lower number of projects awarded and lower contract value of projects during FY2018.

During FY2019, our Group was awarded with two sizeable projects, namely Project W046 and Project W047, with aggregated contract sum over HK\$350.0 million. Project W046 is a public housing project in Fanling and Project W047 is a vehicle examination centre project in Tsing Yi. The customer of both projects is Hip Hing Group. However, our contract value of new projects awarded and variation orders received during FY2019 decreased, which was mainly as a result of (i) the increasingly keen competition in tendering for new formwork projects in the Hong Kong market; and (ii) the delay in commencement of the above-mentioned two sizeable projects.

According to the Frost & Sullivan Report, from time to time subcontracting works in the formwork industry might encounter consequential delays in the expected commencement date caused by delays in the completion of other early phases of construction work, such as the delay of the customers in obtaining consents from relevant government authorities in relation to the completion of foundation works. Based on public information in 2019, certain formwork companies in the market had experienced delays in the commencement of newly awarded projects due to a number of events, such as, site suspension, unexpected changes to the on-site arrangements and the recent social unrest in Hong Kong.

BUSINESS

Likewise, part of the drop in our contract value of new projects awarded and variation orders during FY2019 was mainly due to the unexpected delay in the commencement dates of Project W046 and Project W047. Based on the preliminary master programs from our main contractors, the expected commencement dates of Project W046 and Project W047 were originally scheduled in April 2018 and March 2018 respectively. In light of the said master programs, our management had initially reserved our labour resources for those two projects in early FY2019. However, our main contractors informed our Directors, in September 2018 and October 2018 respectively, that there was potential delay by third party subcontractors in performing the foundation work in Project W046 and Project W047, respectively. Therefore, a considerable lead time was incurred and our Group only commenced work on those two projects in the third quarter of FY2019 and hence, the respective revenue recognition for Project W046 and Project W047 were substantially postponed.

Save for Project W046 and Project W047, our Directors confirmed that there was no material delay of our projects during the Track Record Period. Based on the revised work schedules of Project W046 and Project W047, our Directors confirmed that the delays in Project W046 and Project W047 is one-off events and unlikely to recur. Our Directors expect that Project W046 and Project W047 will be completed in around November 2020 and March 2020 respectively.

Given our management team had reserved our manpower and resources with the expectation to commence those two sizeable projects in early FY2019, the above-mentioned delays also led to the decrease in (i) the number of tenders and quotations we submitted during the second half of FY2018; and (ii) the contract value of new projects awarded and variation orders received during FY2019. The increase in the number of tenders and quotations we submitted and the drop in the tender success rate for FY2019 illustrated our management's effort to undertake and commence the work of a number of smaller scale projects after having knowledge of the unexpected delay in Project W046 and Project W047.

During FY2020, we were awarded with 19 new projects, including two sizable projects, namely Project W062 and Project W064 with aggregate contract sum over HK\$400.0 million. For the details of the number of tenders and quotations we submitted, please refer to the paragraph headed "Sales and marketing — Tender success rate" in this section below.

During FY2020, our Group recorded an increase in (i) the number of projects; and (ii) the contract value of new projects we awarded and variation orders of approximately HK\$1,262.1 million. Having considered the above-mentioned and supported by the outstanding revenue to be recognised as at 31 March 2020 of approximately HK\$1,064.9 million, our Directors believe that our Group will have an improvement in our revenue recognised for FY2021.

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CUSTOMERS

During the Track Record Period, we have provided formwork services to 20 customers. Our customers are principally main contractors who engage us as their formwork subcontractors of construction projects. We enter into written contracts with our customers on a project basis.

Major customers

The following sets out the profile of our five largest customers for each of the reporting period during the Track Record Period:

FY2018

Rank	Name of our customer	Background of our customer	Major services provided by our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total revenue
1	Hip Hing Group ¹	Its businesses include construction and civil engineering	Conventional formwork & prefabricated formwork	2001	30 days; by cheque	658,267	64.9
2	Customer B ²	Its businesses include building construction	Conventional formwork & prefabricated formwork	2009	30 days; by cheque	110,924	10.9
3	Paul Y. Group ³	Its businesses include building construction and civil engineering	Conventional formwork & prefabricated formwork	2016	30 days; by cheque	83,047	8.2
4	Customer E ⁴	Its businesses include building construction and civil engineering	Conventional formwork	2017	14 days; by bank transfer	54,924	5.4
5	Build King Construction Limited ⁵	Its businesses include building construction and civil engineering	Conventional formwork	2016	30 days; by cheque	33,083	3.3
Total						940,245	92.7

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FY2019

Rank	Name of our customer	Background of our customer	Major services provided by our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total revenue
1	Hip Hing Group ¹	Its businesses include construction and civil engineering	Conventional formwork & prefabricated formwork	2001	30 days; by cheque	305,646	58.2
2	Paul Y. Group ³	Its businesses include building construction and civil engineering	Conventional formwork & prefabricated formwork	2016	30 days; by cheque	109,223	20.8
3	Customer E ⁴	Its businesses include building construction and civil engineering	Conventional formwork	2017	14 days; by bank transfer	58,049	11.1
4	Customer B ²	Its businesses include building construction	Conventional formwork & prefabricated formwork	2009	30 days; by cheque	14,559	2.8
5	New Standard Construction Company Limited ⁶	Its businesses include building construction and civil engineering	Conventional formwork	2017	30 days; by cheque	13,760	2.6
Total						501,237	95.5

FY2020

Rank	Name of our customer	Background of our customer	Major services provided by our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total revenue
1	Hip Hing Group ¹	Its businesses include construction and civil engineering	Conventional formwork & prefabricated formwork	2001	30 days; by cheque	410,458	59.8
2	Paul Y. Group ³	Its businesses include building construction and civil engineering	Conventional formwork & prefabricated formwork	2016	30 days; by cheque	134,668	19.6
3	Customer E ⁴	Its businesses include building construction and civil engineering	Conventional formwork	2017	14 days; by bank transfer	40,010	5.8
4	Customer F ⁷	Its businesses include infrastructure investment, building construction and civil engineering	Conventional formwork	2019	30 days; by cheque	27,564	4.0
5	Shui On Group ⁸	Its businesses include building construction and maintenance	Conventional formwork	2016	30 days; by cheque	17,814	2.6
Total						630,514	91.8

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Notes:

1. Hip Hing Group represents three wholly-owned subsidiaries of NWS Holdings Limited, a company listed on the Main Board (stock code: 659), which is one of the leading infrastructure companies based in the PRC and Hong Kong. The principal activities of Hip Hing Group include construction and civil engineering. The total revenue of NWS Holdings Limited and its subsidiaries amounted to approximately HK\$26.8 billion for the year ended 30 June 2019 based on its annual report in September 2019.
2. Customer B represents a wholly-owned subsidiary of a company listed on the Main Board, which is a main contractor engaging in building construction works in Hong Kong. The principal activities of Customer B include building construction. The total revenue of the listed group amounted to approximately HK\$1.5 billion for the year ended 31 March 2020 based on its annual report in June 2020.
3. Paul Y. Group represents four subsidiaries of South Shore Holdings Limited, a company listed on the Main Board (stock code: 577), which provides engineering and property services based in Hong Kong. In May 2018, the shareholders of South Shore Holdings Limited approved the disposal of the parent holding company of Paul Y. Group. Based on the public information of South Shore Holdings Limited, the disposal has not been completed as at the Latest Practicable Date and Paul Y. Group remained as subsidiaries of South Shore Holdings Limited. The principal activities of Paul Y. Group include building construction and civil engineering. The total revenue of South Shore Holdings Limited and its subsidiaries amounted to approximately HK\$9.4 billion for the year ended 31 March 2019 based on its annual report in August 2019.
4. Customer E, a private company with limited liability, is one of the leading main contractors incorporated in Hong Kong. The principal activities of Customer E include building construction and civil engineering.
5. Build King Construction Limited is a wholly-owned subsidiary of Build King Holdings Limited, a company listed on the Main Board (stock code: 240), which is a construction company based in Hong Kong. The principal activities of Build King Construction Limited include building construction and civil engineering. The total revenue of Build King Holdings Limited and its subsidiaries amounted to approximately HK\$7.6 billion for the year ended 31 December 2019 based on its annual report in March 2020.
6. New Standard Construction Company Limited, a private company with limited liability, is a main contractor incorporated in Hong Kong. The principal activities of New Standard Construction Company Limited include building construction and civil engineering.
7. Customer F represents a wholly-owned subsidiary of a company listed on the Main Board, which is a main contractor engaging in building construction works in Hong Kong. The principal activities of Customer F include infrastructure investment, building construction and civil engineering. The total revenue of the listed group amounted to approximately HK\$61.7 billion for the year ended 31 December 2019 based on its annual report in March 2020.
8. Shui On Group represents two subsidiaries of SOCAM Development Limited, a company listed on the Main Board (stock code: 983), which is a major construction company in Hong Kong and Macau and property developer based in the PRC. The principal activities of Shui On Group include building construction and maintenance. The total revenue of SOCAM Development Limited and its subsidiaries amounted to approximately HK\$5.6 billion for the year ended 31 December 2019 based on its annual report in March 2020.

For FY2018, FY2019 and FY2020, our five largest customers in aggregate accounted for approximately 92.7%, 95.5% and 91.8% of our total revenue respectively; and our largest customer accounted for approximately 64.9%, 58.2% and 59.8% of our revenue during the corresponding period respectively. We normally offered these major customers a credit term from 14 to 60 days after progress billing. We have not entered into any long-term master contracts with any of our customers.

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Our business operations are subject to relatively high level of customer concentration. Since we derive a significant portion of our revenue from our five largest customers in particular our largest customer, Hip Hing Group. According to the Frost & Sullivan Report, the overall construction industry in Hong Kong is characterised by its large numbers of subcontractors. A majority of them are small to medium sized companies, which may possess limited resources, both in specialised machinery, construction materials and skilled manpower, whereas construction projects are generally large-scale and labour-intensive. Due to limited capital resources, it is common for a subcontractor to focus on a few projects concurrently, which restrict the scale and complexity of projects they can undertake. As a result, it is likely that many players have adopted a strategy to focus on undertaking a few projects and maintaining a limited number of customers, which consequently leads to the industry norm of high customer concentration. It is not uncommon in the construction industry that one or a few major customers already accounted for a majority amount of revenue to a subcontractor. We believe that our Group has remained on the list of approved formwork subcontractors for each of our major customers, and some of them have been cooperating with us for more than ten years. Our Group has benefited from such long-term business relationships with our major customers in securing stable and long-term sources of revenue during the Track Record Period. Our Directors confirmed that our Group had no material dispute with or recovery of claims from our customers during the Track Record Period.

All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers for each of the reporting period during the Track Record Period.

Our stable business relationship with and complementary reliance on Hip Hing Group

During the Track Record Period, we provided formwork services to Hip Hing Construction Company Limited, Hip Hing Engineering Company Limited and two Hip Hing joint ventures. Such two Hip Hing joint ventures were set up by (i) Hip Hing Construction Company Limited and Hip Hing Engineering Company Limited; and (ii) Hip Hing Construction Company Limited and Vibro Construction Company Limited respectively.

Hip Hing Group represents the three wholly-owned subsidiaries of NWS Holdings Limited, a company listed on the Main Board (stock code: 659), which is also the infrastructure and services flagship of New World Development Company Limited (stock code: 17), a constituent stock of Hong Kong Hang Seng Index, focusing on property, infrastructure and service, department stores and hotel operations. Based on the available public information, New World Development Company Limited had an effective interest of approximately 60.9% in NWS Holdings Limited as at the Latest Practicable Date.

Hip Hing Group is our largest customer during the Track Record Period. For FY2018, FY2019 and FY2020, our Group recognised revenue from Hip Hing Group amounting to approximately HK\$658.3 million, HK\$305.6 million and HK\$410.5 million respectively, representing approximately 64.9%, 58.2% and 59.8% of our total revenue

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respectively. During the Track Record Period, we also provided formwork services to two entities related to Hip Hing Group, including (i) a joint venture set up by Hip Hing Construction Company Limited and another Independent Third Party, which is affiliated to a company listed on the Main Board with principal activities in construction, property development and asset leasing in Hong Kong; and (ii) Hip Seng Group, which is affiliated to Hip Hing Group. For FY2018, FY2019 and FY2020, Hip Hing Group, Hip Seng Group and the above-mentioned two related entities (collectively “**Hip Hing Group and related entities**”) are Independent Third Parties and in aggregate contributed approximately HK\$659.3 million, HK\$305.6 million and HK\$410.5 million to our revenue respectively, representing approximately 65.0%, 58.2% and 59.8% of our total revenue respectively.

Similar to the general practices between our Group and other customers, we entered into contracts with Hip Hing Group and related entities on a project-by-project basis. Our agreements with Hip Hing Group and related entities generally contain material terms including (i) the specifications, design drawings and conditions of the subcontract; (ii) payment applications for our works done are made on monthly basis and Hip Hing Group and related entities shall certify our payment applications and settle payments upon certification and deduction of all charges and deductibles; (iii) retention of 10% of the certified value from the monthly payments subject to a maximum limit of 5% of the total contract sum of the subcontract; (iv) we shall be responsible for all safety and environmental measures as required under the safety regulations, statutory requirements, the subcontract and the main contract; and (v) employees’ compensation insurance are generally effected by the main contractor while the contractors’ all risk insurance and third party insurance are taken out by the ultimate employer of the project or the main contractor, and we shall cooperate with the main contractor in fulfilling the requirements of the insurance policy in respect of any claims or liabilities.

Our Directors consider that it is a sustainable business model and is commercially beneficial for Hip Hing Group and us to maintain a stable and complementary business relationship with each other, because of the following reasons:

- (i) *The stable and complementary reliance between Hip Hing Group and our Group is shaped by the industry landscape and is sustainable*

According to the Frost & Sullivan Report, Hip Hing Group is one of the leading main contractors in Hong Kong with extensive business connections and a persistently strong project pipeline in various types of building and civil engineering projects under public and private sectors. According to public information, the value of contract works completed by Hip Hing Group for the years ended 30 June 2017, 2018 and 2019 was approximately HK\$13.2 billion, HK\$16.5 billion and HK\$14.7 billion respectively. The gross value of Hip Hing Group’s contracts on hand as at 31 December 2019 was approximately HK\$53.1 billion, consisting of (i) private sector projects of approximately HK\$31.5 billion; (ii) public sector projects of approximately HK\$18.2 billion; and (iii) projects related to New World Development Company Limited of approximately HK\$3.4 billion.

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According to the Frost & Sullivan Report, it is observed that large developers often have long-term relationships with particular main contractors because of their business connections and their understanding of developers' needs and requirements. Meanwhile, many main contractors tend to request quotations from and engage subcontractors of particular type of works that they have previously collaborated with, and which have proven high-quality work and timely project completion records. By the same token, given that the limited manpower and resources, subcontractors are very often consistently working with one or a few of their preferred main contractors with whom they had previously formed relationships in order to capture the constant source of projects and recurring income. Therefore, it is an industry norm for subcontractors to retain a concentrated customer base. In line with the industrial practice and in view of the strong projects pipeline possessed by Hip Hing Group, our Directors believe that our Group has benefited from our continuous business collaboration with Hip Hing Group.

(ii) *Our competitive strengths as the leading formwork service provider preferred by Hip Hing Group*

Our business relationship with Hip Hing Group can be traced back to 2001. For FY2018, FY2019 and FY2020, our Group was the largest formwork service provider for Hip Hing Group which accounted around half of the total formwork-related costs of Hip Hing Group for the corresponding period. Our Directors believe that our stable and long-term complementary relationship with Hip Hing Group is mainly due to our reputation and success in timely delivering high quality formwork services in satisfaction with their project requirements. As explained under the paragraph headed "Competitive Strengths" in this section above, we believe that our Group is considered as a preferred subcontractor to Hip Hing Group by taking into account following reasons: (i) we are a leading formwork contractor with over 20 years of operating history in Hong Kong, which enables us to maintain a stable business relationship with our customers, along with our market share of approximately 11.0% in terms of revenue in Hong Kong for FY2020; (ii) our executive Directors and project management team comprise a group of highly experienced individuals in the formwork industry in Hong Kong; and (iii) we have maintained good quality control and stable relationships with our major suppliers and subcontractors.

In addition, according to the Frost & Sullivan Report, sizeable formwork projects are generally labour intensive. In order to ensure the overall control and management on cost, quality and timeliness in a sizeable construction project, large-scale main contractors would prefer to engage one capable subcontractor with sizeable project experience and stable human resources to undertake the formwork work of their large scale projects, instead of engaging two or more smaller formwork subcontractors. Our Directors are of the view that our capacities and proven track record in individually handling large-scale projects for Hip Hing Group and other main contractors are considered as the key drivers that developed the stable and complementary business relationship between Hip Hing Group and us.

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During the Track Record Period and up to the Latest Practicable Date, Hip Hing Group had 22 projects with contract sum ranging from approximately HK\$14.8 million to HK\$305.9 million to our Group. As at the Latest Practicable Date, we have completed 15 projects for Hip Hing Group, and the remaining seven projects with an aggregate contract sum of approximately HK\$1,370.6 million.

In light of the above, our Directors consider that our relationship with Hip Hing Group is mutually beneficial, and the reliance, if any, is also stable and complementary.

However, such reliance indicated the correlation of our revenue performance to the projects obtained and then awarded to our Group by Hip Hing Group. Fluctuation in number, size and timing of the projects from Hip Hing Group awarded to our Group will likely result in significant impact to our business operations and financial performance. For the project-specific impact to our revenue during the Track Record Period, please refer to the section headed “Financial Information — Revenue” in this prospectus. For details of the underlying customer concentration risks associated with such reliance, please refer to the section headed “Risk Factors — Risks Relating to Our Business — We derive a significant portion of our revenue from our five largest customers, in particular our largest customer, Hip Hing Group; and any decrease or failure to maintain business relationship with whom could materially adversely affect our business operations and financial performance” in this prospectus. In view of the aforementioned project pipeline possessed by Hip Hing Group and our backlog project as detailed under the paragraph headed “Our Projects” in this section above, our Directors consider that our Group is capable of sustaining our revenue in the foreseeable future along with the stable and complementary relationship between our Group and Hip Hing Group as explained above.

Notwithstanding our reliance with Hip Hing Group, our Directors believe that our success is built upon our reputation and track record in the formwork industry in Hong Kong for over 20 years which supports us to obtain formwork projects of various sizes from main contractors with different background. We believe that our Group has earned a good reputation in the industry by exercising our competitive strengths and providing high-quality services. Throughout the Track Record Period and up to the Latest Practicable Date, as shown in the paragraph headed “Customers — Major customers” in this section above, we were able to capture new source of revenue from newly acquainted customers, such as Paul Y. Group, Customer E and Customer F. As at 31 March 2018, 2019 and 2020, the aggregate number of our customer base was 14, 15 and 19 respectively.

Having considered the above-mentioned, our Directors believe that our Group will be able to secure new projects from different customers and expand our customer base in the long run.

Key contract terms with our major customers

Our customers generally require us to enter into their respective standard form of subcontracts and some of the major project terms are set out below:

1. ***Contract sum*** – The contracts of our projects normally state an agreed price subject to change in scope of work and requirements. The contract sum is determined after considering factors including, but not limited to, project requirements and the estimation of the amount of materials, condition of the construction sites, labour and time required for the completion of the project.
2. ***Progress payments*** – We normally receive progress payments from customers on a monthly basis according to the value of works done. In general, we send a payment application to our customer on a monthly basis according to the amount of works completed during the month. After we have sent such monthly application, the consultant will issue a payment certificate, certifying the works progress in the relevant month. We normally grant our customers credit period from 14 to 60 days after the date of the issuance of interim payment certificate.
3. ***Period for completion*** – We are required to strictly comply with expected commencement date and expected completion date stipulated in the contracts and also in accordance with the construction programme of the project. However, the actual commencement date or final completion date may be amended from time to time, and we may be granted extension of time under certain circumstances, pursuant to the terms of the relevant contract.
4. ***On-site project management*** – We are generally required to station certain employees, such as project manager and safety supervisor, at the construction sites to meet with our customers for taking instructions and reporting the progress of our works. Our employees are also required to attend meetings arranged by our customers from time to time in relation to site management and workplace safety.
5. ***Retention money*** – The contracts for our projects usually include a term allowing our customers to retain an amount of fee as retention money from the progress payments. The retention money is generally retained by our customers at a rate of 10% of each progress payment made to us. Generally, the first half of the retention money is released upon practical completion of our formwork services and the second half of the retention money is released to us upon completion of the whole construction project or expiration of the defects liability period. As at 31 March 2020, our retention receivables amounted to approximately HK\$105.3 million.
6. ***Insurance*** – In general, it is the obligation of the main contractor of the construction project to effect proper insurance policies against liabilities or claims in respect of (i) bodily injury or death; and (ii) damage to third party's properties during the course of works performed by the workers of our Group or our subcontractors.

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7. *Defects liability period* – We are generally subject to defects liability period and responsible for rectifying all defective works under our scope of work at our own expense during such period. The defects liability period, normally ranging from six to 24 months, commences after the date of practical completion. During the Track Record Period, there was no material claim or complaint brought against our Group by our customers and the cost incurred for rectifying defective works was immaterial.
8. *Variation orders* – We may be given variation orders where our customers amend the specification and scope of work from that originally contracted. A variation order may increase, reduce or vary the original scope of work. If the nature of work of the variation order is covered under our quotation or bill of quantity, the scope and fees of our works will generally follow the terms in the tender or project contract. Otherwise, the scope and fees will be separately agreed between our customers and us. The rights and obligations under the variation order are normally the same as that under the original contract.
9. *Termination* – In general, our customer may terminate our contract with us if, among other things, (i) our performance is found to be unsatisfactory; (ii) we fail to fulfil the project requirements; (iii) there is material delay or disruption of our works; (iv) we become insolvent or enter into liquidation; or (v) we are found to violate any laws and regulations.

SALES AND MARKETING

We do not have a dedicated sales and marketing team during the Track Record Period. Our senior management is generally responsible for liaising and maintaining our relationship with customers. Our key sources of business opportunities mainly come from invitations for tender and/or quotations by customers who may be recurring customers or be referred via word-of-mouth recommendation.

As explained under the paragraph headed “Competitive Strengths” in this section above, our Directors believe that our success is built upon our reputation and experience in the formwork industry in Hong Kong for over 20 years of track record which supports us to obtain and handle formwork projects of various sizes from main contractors with different background. We believe that our Group has earned a good reputation by exercising our competitive strengths and providing high-quality services. Moreover, we believe that the Listing will further enhance the image of our Group to the construction industry as well as the general public and beneficial to our future business development.

For the purposes of maintaining our relationship with customers, and keeping abreast of the latest market developments, pricing trends and potential business opportunities, our Directors have adopted the strategy to be responsive to our customers’ tender/quotation invitations, and actively provide our customers with our fee quotations and/or tender submissions upon receipt of their invitations after our review and assessment. Hence, our overall tender/quotation success rates might fluctuate as a result of our pricing strategies and the changes in level of market competition from time to time.

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Tender success rate

The table below sets out the number of tenders and quotations submitted, number of tenders pending for result, number of successful tender and overall tender success rate during the Track Record Period:

	FY2018	FY2019	FY2020
Number of tenders and quotations submitted	22	32	42
Number of tenders pending for result	–	–	4
Number of successful tenders ¹	8	11	14
Overall tender success rate (%)	36.4	34.4	33.3

Note:

- (1) Number of successful tenders for the year/period refers to the number of projects awarded during the same year/period of tender submission or in subsequent year(s)/period(s).

After the Track Record Period and up to the Latest Practicable Date, there were seven tender submissions submitted by our Group. As at the Latest Practicable Date, 12 tender submissions are pending for result.

Our Group recorded tender success rate of approximately 36.4%, 34.4% and 33.3% for FY2018, FY2019 and FY2020 respectively. Our tender success rate remained relatively stable for FY2020 as compared with FY2019.

As compared with FY2018, the decrease in our tender success rate for FY2019 was primarily because we focused our effort and resources on the preparation of two sizeable projects, namely Project W046 and Project W047, with aggregated contract sum approximately HK\$391.0 million. During the said year, we kept receiving invitation letters for tenders from our potential customers. In order to maintain our market presence but in light of the constraint of our limited manpower, capacity and resources as a result of delay in the commencement dates in Project W046 and Project W047, our Group was hesitant and became less aggressive in response to the invitations received from the potential customers, which in turn resulted in a relatively lower tender success rate of our tenders for FY2019. For further details of the delay in the commencement dates in Project W046 and Project W047, please refer to the paragraph headed “Our Projects — Backlog” in this section above.

Our tender strategy

During the Track Record Period, there had been no material change in our tender strategy, which depends on (i) the number of projects we have on hand; (ii) our available capacity in terms of manpower; and (iii) the budgeted project profit margin which in turn depends on a number of factors pertaining to the project and the competitive environment.

Taking into account of (i) our tender strategy and our financial performance during the Track Record Period; and (ii) our projects on hand as at the Latest Practicable Date, our Directors consider that our overall tender success rate during the Track Record Period had been satisfactory. For further details of the movement of our projects and projects on hand, please refer to the paragraph headed “Our Projects — Backlog” in this section above.

Our pricing strategy

Our Group adopted a cost-plus pricing model. Our pricing is based on mark-ups over our cost estimation for each project. Pricing is one of the key considerations of tender evaluation, and also directly affects our project profit margin. It is therefore critical that we are able to estimate our costs effectively, and by the same measure, it is also critical that we possess the requisite personnel with adequate experience to properly evaluate a tender opportunity.

In determining the quotation, our Directors will consider a number of factors, such as our relationship with the customer, the site location, nature, timing, size and complexity of the proposed project, the cost and availability of our resources, manpower and subcontractors, market condition of the formwork industry, and the strategic value the project or the customers might bring to our Group. Our quotations will normally set out the types, quantity and price of material required. During the course of reviewing our tenders/quotations, we may revise the terms of tender and/or submit revised quotations based on the request of the potential customer.

Our tendering department is responsible for preparing quotations, analysing the requirements of our customers and estimating the amount of materials, subcontractors and time required for completing the projects. Our Directors are responsible for approving the final tendering quotation for each project.

Our quotations are generally valid for around 90 to 180 days from the date of quotation pursuant to the tender requirements and we may extend the validity period on a case by case basis. Once a letter of intent or letter of award is furnished to us within the validity period of our tender proposal, we are obliged to perform the project at the agreed fees and terms with our customers unless in instances of variation orders.

Our Directors are of the view that our Group has adopted an effective pricing strategy and was able to maintain positive gross profit margin that ranged from approximately 7.6% for FY2018 to approximately 10.7% for FY2020.

Our credit policy

Based on the activity carried out in the preceding month, we submit to our customers a payment application which generally includes the estimated amount of our work done. Once our customer is satisfied with our payment application, our customer will issue a payment certificate to us and the payment will be settled with us by cheque or bank transfer with retention of a certain percentage of our fee as retention money. We will usually grant our customers credit period from 14 to 60 days after the date of the issuance of interim payment certificate. Our customers will usually retain an amount up to 10% of the value of work done from the progress payments, subject to a maximum limit of 5% of the total contract sum as retention money. Part of the retention money withheld is normally released upon the execution of the final account or issuance of the certificate of completion of our contract works while the remaining balance will be released upon expiry of the defects liability period and completion of any rectification works to the full satisfaction of the employer of the construction project and the main contractor.

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Our financial controller will review overdue statement of accounts and provision for doubtful debts case by case on a monthly basis. Prompt actions will be taken on overdue amounts to ensure timely conversion of account receivables into cash. Adequate follow-up actions, such as calling to confirm collectability, will be carried out before bad debts can be written off. If our Directors consider the debt is doubtful or uncollectible, our financial controller will propose to our Board on making a provision for doubtful debt or writing off bad debts. We did not make any provision for doubtful debts during the Track Record Period.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors mainly include (i) suppliers of timber, plywood, aluminium and steel mould, scaffolding equipment and other equipment; and (ii) subcontractors for carrying out the formwork and other construction services in our projects.

Our suppliers

Depending on our contracts with our customers and subcontractors, major materials used by us, including timber, plywood, aluminium and steel temporary moulds, ironmongery materials and scaffolding equipment, are supplied from our suppliers in Hong Kong and the PRC. Generally, our customers will provide us with machineries required for the works at construction sites. Our project team makes purchase orders to our suppliers and decides on the quantity of materials to be ordered and the delivery schedule, based on the progress of our works and project requirements from time to time. Owing to limited space at the construction sites, our project manager is responsible for checking the quantity of materials at the sites before placing orders so as to avoid duplication and congestion. It is common for our staff to visit the factory or workshop of our suppliers for inspecting the design and specifications of the ordered materials or products before our suppliers arrange mass production and/or transportation to the construction sites. We usually require our suppliers to deliver the materials and equipment to the construction sites directly, and our workers are responsible for unloading, verifying and examining the materials received.

We incurred approximately HK\$196.3 million, HK\$61.1 million and HK\$151.0 million in total material costs for FY2018, FY2019 and FY2020 respectively, representing approximately 21.0%, 13.0% and 24.6% of our total cost of revenue for the corresponding period.

Selection of suppliers

We conduct initial assessment before adding any new supplier to our approved list of suppliers and subcontractors. Our chief operation officer is responsible for annual performance evaluation of the suppliers on the approved list to ensure the quality of goods are maintained at acceptable level.

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As at the Latest Practicable Date, there were 20 suppliers on our list of approved suppliers. Generally, unless our customers specify, we select our suppliers from the list of approved suppliers based on their prices offered, schedule of delivery, quality of goods, technical capability and market reputation after comparing and considering quotations from different suppliers. We normally ask for quotations from at least three suppliers, unless the transaction amount for works is lower than HK\$300,000 or there is only one supplier available for the designated materials or equipment. None of our suppliers has entered into long-term supply agreement with us.

As part of complying with the environmental measures of our customers, we are required to source timber and plywood from companies complying with the requirements of an international recognised certification system, such as PEFC and FSC. PEFC and FSC provide assurance that the timber and plywood materials used in our construction projects originate from sustainably managed sources.

During the Track Record Period, we have not experienced any significant shortage nor delay in delivery of materials by our suppliers causing a material disruption to our works. Materials purchased by us are generally settled by cheque in Hong Kong dollars. Our material suppliers normally grant credit period of 30 to 60 days from the invoice date of the relevant purchases to us.

Major suppliers

For FY2018, FY2019 and FY2020, our five largest suppliers accounted for approximately 82.1%, 73.3% and 81.5% of our total material costs respectively; and our largest supplier accounted for approximately 37.4%, 27.3% and 43.0% of our total material costs respectively. We have not entered into any long-term master contracts with any of these suppliers. Our Directors confirmed that our Group had no material dispute with or recovery of claims from its suppliers during the Track Record Period.

BUSINESS

FY2018

Rank	Name of our supplier	Material provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total material costs
1	社旗縣景順建築工程分包有限公司 ¹	Aluminium mould	2017	30 days; by cheque	73,339	37.4
2	Serawak (K.T.) Company Limited ²	Timber and plywood	2008	30 days; by cheque	36,005	18.3
3	東莞市興順五金有限公司 ³	Steel mould	2017	60 days; by cheque	26,697	13.6
4	Supplier A ⁴	Scaffolding equipment	2017	30 days; by cheque	13,432	6.8
5	Kwong Wing Metal Works Limited ⁵	Ironmongery	2008	60 days; by cheque	11,760	6.0
Total					161,233	82.1

FY2019

Rank	Name of our supplier	Material provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total material costs
1	Supplier A ⁴	Scaffolding equipment	2017	30 days; by cheque	16,671	27.3
2	Serawak (K.T.) Company Limited ²	Timber and plywood	2008	30 days; by cheque	15,390	25.2
3	Kwong Wing Metal Works Limited ⁵	Ironmongery	2008	60 days; by cheque	5,204	8.5
4	Supplier B ⁶	Steel mould	2018	30 days; by cheque	4,000	6.5
5	廣州市景龍環保科技有限公司 ⁷	Aluminium mould	2017	30 days; by cheque	3,545	5.8
Total					44,810	73.3

FY2020

Rank	Name of our supplier	Material provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total material costs
1	Serawak (K.T.) Company Limited ²	Timber and plywood	2008	30 days; by cheque	64,857	43.0
2	廣州市景龍環保科技有限公司 ⁷	Aluminium mould	2017	30 days; by cheque	19,807	13.1
3	Supplier B ⁶	Steel mould	2018	30 days; by cheque	16,517	10.9
4	Kwong Wing Metal Works Limited ⁵	Ironmongery	2008	60 days; by cheque	11,637	7.7
5	Canyon Metal Scaffolding Engineering Limited ⁸	Scaffolding equipment	2019	60 days; by cheque	10,278	6.8
Total					123,096	81.5

BUSINESS

Notes:

1. 社旗縣景順建築工程分包有限公司 is a private company established in the PRC with limited liability engaging in, amongst other, supply of aluminium mould.
2. Serawak (K.T.) Company Limited is a private company incorporated in Hong Kong with limited liability engaging in, amongst other, supply of timber and plywood.
3. 東莞市興順五金有限公司 is a private company established in the PRC with limited liability engaging in, amongst other, supply of steel mould.
4. Supplier A represents a private company incorporated in Hong Kong with limited liability engaging in, amongst other, supply of scaffolding equipment.
5. Kwong Wing Metal Works Limited is a private company incorporated in Hong Kong with limited liability engaging in, amongst other, supply of ironmongery.
6. Supplier B represents a private company incorporated in Hong Kong with limited liability engaging in, amongst other, supply of steel mould.
7. 廣州市景龍環保科技有限公司 is a private company established in the PRC with limited liability engaging in, amongst other, supply of aluminium mould.
8. Canyon Metal Scaffolding Engineering Limited is a private company incorporated in Hong Kong with limited liability engaging in, amongst other, supply of scaffolding equipment.

Our subcontractors

We generally engaged subcontractors, such as, carpenters and metal formwork erectors to carry out the labour intensive formwork and other construction services in our projects during the Track Record Period and up to the Latest Practicable Date, which is consistent with the industry practice, according to the Frost & Sullivan Report. However, with respect to some formwork projects from the public sector, entry into the relevant project site is restricted to our direct employees only. In such cases, we would enter into employment agreements with the workers of our subcontractors for the purpose of fulfilling such requirement. For details of our employees, please refer to paragraph headed “Employees” of this section below. Our Group considers that the combined uses and arrangements of subcontracting and direct labour force would give us the flexibility with regard to the types of projects we can undertake and enable us to save our financial resources from retaining a large number of workers under our permanent employment, subject to the requirements of the projects undertaken by our Group.

We incurred approximately HK\$630.9 million, HK\$347.4 million and HK\$304.8 million in subcontracting charges for FY2018, FY2019 and FY2020 respectively, representing approximately 67.4%, 74.0% and 49.7% of our total cost of revenue for the corresponding period respectively. Our largest subcontractor accounted for approximately 23.8%, 25.4% and 27.7% of our total subcontracting charges for FY2018, FY2019 and FY2020 respectively. We have not entered into any long-term master contracts with any of these subcontractors. Our Directors confirmed that our Group had no material dispute with or recovery of claims from its subcontractors during the Track Record Period.

Selection of subcontractors

We have maintained a list of approved subcontractors who are assessed and approved by us. The assessment and evaluation mechanism for our subcontractors are much similar to the ones for our suppliers, so as to ensure that the quality of their formwork services is of acceptable standard. As at the Latest Practicable Date, we have more than 20 subcontractors on our list of approved subcontractors. We normally ask for quotations from at least three subcontractors, unless the transaction amount for works is lower than HK\$500,000 or there is only one subcontractor available for the works. None of our subcontractors has entered into long-term subcontracting agreement with us.

From time to time, we will review and update our internal approved list of subcontractors according to their performance evaluation. During project implementation, our project managers will regularly meet with the engaged subcontractors and closely monitor their work progress and performance.

Key terms of subcontracting engagement

Our Group generally enters into standard subcontracts with our subcontractors on project basis and some of the major terms are set out below:

Subcontracting charge:	The charge is determined with reference to the quotations provided by the subcontractors and our assessment of the total work to be completed by the subcontractors.
Billing and payment term:	The subcontractors are required to submit to us payment applications by the 5th day of each month, which are written statements of the estimated value of their work done for the preceding month. After assessment of the payment applications, our Group will make payments to the subcontractors within 15 days.
Responsibilities of parties:	Subcontractors are required to comply with the layout plans and project specifications as specified in the subcontracts, as well as all relevant legal requirements for performance of the subcontracting works. Our Group will provide formwork and/or materials but the subcontractors shall be responsible for carriage, storage and safety measures in relation to the formwork and/or materials in the construction sites.

BUSINESS

Claims and termination: Our Group is entitled to impose penalty and/or claim against the subcontractors for our loss and has full discretion to terminate the subcontracts should the subcontractors (i) fail to satisfactorily carry out the specified works according to our requirements; or (ii) fail to complete the specified works within the timeframe as set out in the subcontracts.

We are liable to our customers for the performance of our subcontractors as well as any potential employees' compensation claims and personal injuries claims made by the employees of our subcontractors arising from work injuries which may happen from time to time. Therefore, we carry out regular assessments of our subcontractors during a project to ensure quality and safety of their works. Our project managers and foremen make regular site visits to ensure general compliance by our subcontractors in all respects particularly regarding safety and environmental requirements. Our Directors have confirmed that, during the Track Record Period, our Group had not encountered any material dispute or claim with any of our subcontractors.

Major subcontractors

For FY2018, FY2019 and FY2020, our top five subcontractors accounted for approximately 70.2%, 71.5% and 70.0% of our subcontracting charges respectively; and our largest subcontractor accounted for approximately 23.8%, 25.4% and 27.7% of our subcontracting charges respectively.

FY2018

Rank	Name of our subcontractor	Services provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total subcontracting charges
1	Long Shing Engineering Limited ¹	Formwork services	2016	15 days; by cheque	150,048	23.8
2	Wing Fat Construction Limited ²	Formwork services	2015	15 days; by cheque	99,227	15.7
3	Shing Fat Engineering Company ³	Formwork services	2015	15 days; by cheque	77,301	12.3
4	Wang Lik Engineering Company ⁴	Formwork services	2013	15 days; by cheque	68,690	10.9
5	Mr. Fok Ming Fai ⁵	Formwork services	2013	15 days; by cheque	47,111	7.5
Total					442,377	70.2

BUSINESS

FY2019

Rank	Name of our subcontractor	Services provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total subcontracting charges
1	Wing Fat Construction Limited ²	Formwork services	2015	15 days; by cheque	88,395	25.4
2	Long Shing Engineering Limited ¹	Formwork services	2016	15 days; by cheque	59,715	17.2
3	Mr. Yuen Lau Kui ⁶	Formwork services	2014	15 days; by cheque	43,284	12.5
4	Shing Fat Engineering Company ³	Formwork services	2015	15 days; by cheque	29,969	8.6
5	Mr. Fok Ming Fai ⁵	Formwork services	2013	15 days; by cheque	27,015	7.8
Total					248,378	71.5

FY2020

Rank	Name of our subcontractor	Services provided to our Group	Relationship since	Credit terms and payment method	HK\$'000	% of total subcontracting charges
1	Wing Fat Construction Limited ²	Formwork services	2015	15 days; by cheque	84,510	27.7
2	Shing Fat Engineering Company ³	Formwork services	2015	15 days; by cheque	41,581	13.6
3	Mr. Iu Yu Ho ⁷	Formwork services	2016	15 days; by cheque	36,969	12.1
4	Mr. Yuen Lau Kui ⁶	Formwork services	2014	15 days; by cheque	28,300	9.3
5	Mr. Fok Ming Fai ⁵	Formwork services	2013	15 days; by cheque	22,234	7.3
Total					213,594	70.0

BUSINESS

Notes:

1. Long Shing Engineering Limited is a private company incorporated in Hong Kong. Long Shing Engineering Limited has the capacity to arrange over 180 workers in a given month to carry out formwork services.
2. Wing Fat Construction Limited is a private company incorporated in Hong Kong. Wing Fat Construction Limited has the capacity to arrange over 100 workers in a given month to carry out formwork services.
3. Shing Fat Engineering Company is a sole proprietorship in Hong Kong. All references made to Shing Fat Engineering Company include references to its owner as an individual. Shing Fat Engineering Company has the capacity to arrange over 218 workers in a given month to carry out formwork services. The owner of Shing Fat Engineering Company has over eight years of experience in the construction industry and is registered as a carpenter in formwork and an operator in plant and equipment under the Construction Industry Council.
4. Wang Lik Engineering Company is a sole proprietorship in Hong Kong. All references made to Wang Lik Engineering Company include references to its owner as an individual. Wang Lik Engineering Company has the capacity to arrange over 179 workers in a given month to carry out formwork services. The owner of Wang Lik Engineering Company has over 20 years of experience in the construction industry and is registered as a carpenter in formwork under the Construction Industry Council.
5. Mr. Fok Ming Fai has the capacity to arrange over 72 workers in a given month to carry out formwork services. Mr. Fok Ming Fai has over 13 years of experience in the construction industry and is registered as a carpenter in formwork under the Construction Industry Council.
6. Mr. Yuen Lau Kui has the capacity to arrange over 65 workers in a given month to carry out formwork services. Mr. Yuen Lau Kui has over four years of experience in the construction industry and is registered as a carpenter in formwork under the Construction Industry Council.
7. Mr. Iu Yu Ho has the capacity to arrange over 94 workers in a given month to carry out formwork services. Mr. Iu Yu Ho has over 18 years of experience in the construction industry and is registered as a carpenter in formwork under the Construction Industry Council.

INVENTORY

Our Group generally does not hold any inventory to be used for future projects. The materials and consumables of our formwork works are purchased and used on a project-by-project basis.

QUALITY CONTROL

Each of our formwork projects has a project management team comprising, among others, a project manager and safety supervisor, who is responsible for monitoring the progress and quality of the project. We generally only engage subcontractors on our approved list of subcontractors taking into account the nature and complexity of each project and the availability of our resources at the time. Our project management team in each project, generally conducts regular on-site inspections and attends regular meetings with our customers and subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meets the requirements of our customers. During the Track Record Period and up to the Latest Practicable Date, we have not received any material complaints or request for material compensation from our customers due to quality issue of our performance and our subcontractors' performance.

MAIN REGISTRATIONS AND LICENCES

In order to build up a pool of professional and responsible trade contractors with specialised skills through enhanced registration requirements for development of the construction industry, the Construction Industry Council has introduced the Registered Specialist Trade Contractors Scheme (the “RSTCS”) which comprises Registered Specialist Trade Contractors of seven specialist trades and Registered Subcontractors of other common trades. The Registered Specialist Trade Contractors are applicable for the seven designated trades of demolition, scaffolding, concreting formwork, reinforcement bar fixing, concreting, erection of concrete precast component and curtain wall. The Registered Subcontractors are applicable for other common civil, building, electrical and mechanical trades. The Airport Authority Hong Kong, Development Bureau, Hong Kong Housing Authority, some industry associations and some private organisations are in support of the RSTCS.

To enhance the recognition as an active partner in the construction industry, CK Woodworks has been registered with the Construction Industry Council under the RSTCS, details of which are as follows:

Name of Group member	Designated Trade of the Registered Specialist Trade Contractor	Date of Registration	Expiry Date of Current Registration
CK Woodworks	Concreting Formwork	17 January 2019 ¹	16 January 2024
	Erection of Concrete Precast Component	17 January 2019 ²	16 January 2024
	Scaffolding	17 January 2019 ³	16 January 2024

Notes:

1. CK Woodworks was first registered with the Construction Industry Council in respect of timber formwork and metal/system formwork under the trade of concreting formwork on 17 January 2013 and 10 August 2018 respectively.
2. CK Woodworks was first registered with the Construction Industry Council in respect of erection of concrete precast component on 10 August 2018.
3. CK Woodworks was first registered with the Construction Industry Council in respect of scaffolding on 10 August 2018.

Applications for renewal of the above registrations shall be made not earlier than six months before and not later than three months before the specified expiry date. As we had not experienced any complaint or regulatory action brought by the Construction Industry Council against us during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we should not encounter any difficulties in obtaining the renewals of any registrations in the future.

BUSINESS

Our Directors, upon advice from the Hong Kong Legal Counsel, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong, and that all of them remain in force.

ENVIRONMENTAL COMPLIANCE

Our business operations are subject to certain environmental laws in Hong Kong, details of which are set out in the section headed “Regulatory Overview — Environmental Protection” in this prospectus.

Our Group is mindful for the care of the environment by minimising the environmental impact regarding our business activities, as well as materials and services engaged. Apart from complying with the applicable environmental laws and regulations to which our Group subscribes, we aspire to prevent pollution, reduce waste, increase recycling and minimise natural resource use by continually improving our environmental practices and measures, educating our employees to adopt environmentally responsible behaviour, and promoting environmental protection in our supply chain and marketplace.

During the Track Record Period and up to the Latest Practicable Date, our Directors have confirmed that (i) we had not incurred any expense in relation to compliance with applicable environmental laws and regulations in Hong Kong; (ii) our Group had not been subject to any claim or prosecution and had not received any warning letter from any governmental authority in relation to non-compliance with any applicable environmental laws and regulations.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to provide a healthy and safe working environment for the projects undertaken by us. Our safety management team is responsible for site safety inspection and day-to-day communication and monitoring of workplace safety at construction sites. Whenever an accident has occurred at the construction site (e.g. an employee sustaining an injury at work), our safety supervisor will immediately report the safety incident to the main contractor as well as our management.

Our Company has implemented a workplace safety manual which includes detailed guidance on general site conditions, potential hazards and site requirements, construction staff safety responsibilities, safety precautions and emergency response measures and reporting of safety incidents.

BUSINESS

Save as disclosed in the paragraph headed “Non-compliance” in this section below, no prosecution has been laid against us in respect of violation of applicable laws or regulations on occupational health and safety during the Track Record Period and up to the Latest Practicable Date.

Accidents during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, we recorded 45 accidents which gave rise to or may give rise to potential employees’ compensation claims and personal injury claims, involving 17, 13, nine and six workers who were employed by our Group for each of FY2018, FY2019, FY2020 and the period from 1 April 2020 to the Latest Practicable Date respectively.

Nature of the accidents

The table below sets out the nature of accidents in relation to the aforesaid 45 accidents:

Nature of accidents	Number of accidents
Fell from height	3
Slipped, tripped, or fell on same level	19
Struck by/against moving or falling objects	7
Struck against fixed or stationary objects	6
Injured whilst lifting, carrying or handling formwork	2
Cut, stabbed or crushed	6
Trapped or caught in between objects	2
	<hr/>
Total	45

During the Track Record Period and up to the Latest Practicable Date, the relevant main contractors and/or ultimate employers (i.e. property developers) had taken out insurance to cover the liabilities in respect of the workers on sites under the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as well as under the common law for injuries at work. As such, our Directors consider that these accidents did not and are not expected to have any material impact on our Group’s operations. For further details of our insurance policies, please refer to the paragraph headed “Insurance” in this section below.

BUSINESS

The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong.

	Construction industry average rate¹	Our Group's rate²
Year ended 31 December/31 March		
2017/2018		
Accident rate per 1,000 workers	32.9	43.7 ³
Fatality rate per 1,000 workers	0.185	0
2018/2019		
Accident rate per 1,000 workers	31.7	31.5
Fatality rate per 1,000 workers	0.125	2.4 ⁴
2019/2020		
Accident rate per 1,000 workers	N/A	13.2
Fatality rate per 1,000 workers	N/A	0

Notes:

1. The industry average rates for the years ended 31 December 2017 and 2018 respectively are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 19 (August 2019) published by the Occupational Safety and Health branch of the Labour Department.
2. Our Group's accident rate is calculated as the number of accidents during the financial year divided by the number of workers at the end of the same financial year and multiply the result by 1,000. The number of workers includes our workers and workers arranged by our subcontractors.
3. Since our Group's accident rate for FY2018 was higher than the corresponding industry average rate, we have strengthened our internal control policy. For details, please refer to the paragraph headed "Litigation, Arbitration and Potential Claims — Rectification actions and measures taken by our Group" in this section below.
4. Our Group recorded only one fatal accident for FY2019. For details of this fatal accident, please refer to the paragraph headed "Litigation, Arbitration and Potential Claims — Fatal accident" in this section below.

Save as disclosed in this section and to the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant accidents in relation to workers' safety.

INSURANCE

Our Group has maintained insurance policies which include employees' compensation for our direct labour, personal accident, third party liability, public liability and motor vehicle.

For the projects of formwork services undertaken by our Group, the main contractors are generally responsible for maintaining contractors' all risk, employees' compensation and third party insurance policies which generally cover liabilities or claims in respect of (i) bodily injury or death; and (ii) damage to third party's properties, as a result of the performance of work undertaken by the workers of our Group or our subcontractors. Our Directors confirm that there is no statutory requirement on minimum insurance coverage of contractors' all risks insurance.

During the Track Record Period and up to the Latest Practicable Date, our Group has not made or encountered any material claims under our own insurance policies or experienced any material business interruptions or any material insurance disputes.

As disclosed in the section headed "Risk Factors" in this prospectus, we are exposed to certain risks of getting into disputes with our subcontractors, workers and other parties and it is not unusual to encounter certain difficult or dangerous conditions at the construction site which may result in personal injuries or even fatality of site workers. Please refer to the section headed "Risk Factors — Risks Relating to Our Business" in this prospectus for further details of such risks. Our Directors consider that such risks and liabilities will be well covered under the insurance policies maintained by the main contractor and/or ultimate employer depending on the terms and conditions of the insurance policy. Notwithstanding that, although our own insurance policies do not cover any losses and claims caused by substandard performance of our subcontractors, we can generally withhold the fees payable to such subcontractor. Based on our past experience with the subcontractors and our periodic evaluation of their performance, our Directors consider that the risk of losses or claims caused by substandard performance of works or delay caused by the subcontractors is relatively low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of latent defects.

Our Directors believe that our current insurance policies are adequate, and the coverage of our insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. For FY2018, FY2019 and FY2020, our total insurance expenses amounted to approximately HK\$32,000, HK\$27,000 and HK\$96,000 respectively.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 767 employees who (including our executive Directors) were directly employed by us in Hong Kong. The following table sets out the number of our employees who were directly employed by us in Hong Kong by their functional role:

Functional role	As at 31 March		As at the Latest Practicable Date	
	2018	2019	2020	
Directors	2	2	3	3
Project management	9	8	9	9
Quantity Surveyor	5	5	4	4
Formwork worker	389	413	681	744
Finance and administration	6	7	7	7
Total	411	435	704	767

We generally recruit employees through internal referral, recruitment agent and job postings in the open market. We make effort to attract and retain appropriate and suitable personnel to serve our Group. We assess our available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

Our Directors consider that our Group has maintained good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we have not set up any trade union for our employees and we did not experience any material disputes with our employees or disruption to our operations due to labour disputes nor had our Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel.

Our Directors confirm that our Group had complied with the applicable labour laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

We provide various internal training to our employees, such as those on occupational health and safety in relation to our work.

The remuneration packages we offer to employees include salaries, allowances and discretionary bonuses. In general, we determine employees' salaries based on each employee's qualifications, position and seniority. We have designed an annual appraisal system to evaluate the performance of our employees, which forms the basis of determining salary raises, bonuses and promotions.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the formwork services market in Hong Kong was considered fragmented in terms of number of players. As of May 2020, there were 860 contractors registered under the concreting formwork category of the Construction Industry Council. For FY2020, the top five players took up approximately 41.2% of the entire formwork services market in Hong Kong, contributing approximately HK\$2,577.8 million in revenue. We are one of the leading industry players with a market share of approximately 11.0% in terms of revenue for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020.

For further details of the competition environment of the formwork services market in Hong Kong, please refer to the section headed "Industry Overview" in this prospectus.

SEASONALITY

Our formwork projects may suffer from delays due to adverse weather conditions and suspension imposed on construction sites by the government to construction sites, and as a result, we may need to temporarily suspend our formwork projects to avoid unsafe working environments. Such temporary suspension may lead to delay in the completion of our works. In case of adverse weather conditions, we are usually entitled under the contracts to claim extension of time to complete our projects. Save as mentioned above, our Directors believe that the formwork industry in which we operate does not exhibit any significant seasonality.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, we had leased two properties in Hong Kong for our business operation, details of which are set out below:

No.	Address	Usage	Landlord	Term	Rent
1.	Room 1008, 10/F, China Shipbuilding Tower, No. 650 Cheung Sha Wan Road, Kowloon, Hong Kong	Office	An Independent Third Party	From 1 April 2019 to 31 March 2022	HK\$18,829 per month
2.	Room 1009, 10/F, China Shipbuilding Tower, No. 650 Cheung Sha Wan Road, Kowloon, Hong Kong	Office	An Independent Third Party	From 1 April 2019 to 31 March 2022	HK\$19,703 per month

The legal adviser to our Company has confirmed that there are no defects in title or breach of land use of the above properties leased by our Group, and we have not been subject to any claim arising from or in connection with such properties.

INTELLECTUAL PROPERTY RIGHTS

Domain name

As at the Latest Practicable Date, our Group is the owner of the following domain name which is considered by our Directors as material to the business of our Group:

Domain name	Registrant	Registration date	Expiry date
www.chikanck.com	CK Woodworks	7 November 2018	7 November 2020

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. During the Track Record Period and up to the Latest Practicable Date, there was no material legal proceeding, claim, dispute, arbitration or administrative proceeding pending or threatening against our Group in relation to infringement of any intellectual property rights.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in any research and development activity nor incurred any research and development expenses.

BUSINESS

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, no claims or litigations of material importance were pending or threatened against our Group.

Litigation in relation to employees' compensation claims and common law personal injury claims against our Group

Our Directors confirmed that, to the best of their knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, our Group was involved in 22 ongoing employees' compensation applications and 12 ongoing personal injury claims resulting from (i) 25 workplace accidents occurred during the Track Record Period and up to the Latest Practicable Date; and (ii) six workplace accidents occurred before the Track Record Period. The table below sets out the nature of these accidents:

Nature of accidents	Number of accidents
Fell from height	5 ¹
Slipped, tripped, or fell on same level	14 ²
Struck by/against moving or falling objects	5 ³
Struck against fixed or stationary objects	5
Cut, stabbed or crushed	1
Trapped or caught in between objects	1
	<hr/>
Total	31

Notes:

1. Three out of five accidents occurred before the Track Record Period.
2. Two out of 14 accidents occurred before the Track Record Period.
3. Two out of five accidents occurred before the Track Record Period.

As the employees' compensation claims and personal injury claims in respect of the above accidents are still ongoing, the amounts of such claims will be subject to the assessment made by the court. For accidents where personal injury claims have not yet been commenced, as the time to commence the personal injury claims under common law against our Group has not yet been expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), it is probable that the workers concerned may commence their personal injury claims under common law against our Group before the respective claim is time-barred.

BUSINESS

Taking into account the insurance policies maintained by the relevant main contractors, our Directors take the view that our Group's potential liability under the aforesaid 22 ongoing employees' compensation claims and 12 ongoing personal injury claims will be fully covered by the abovementioned insurance policies and that these ongoing claims will not have a material impact on our Group's operations. Our Directors are of the view that the occurrence of employees' compensation applications and personal injury claims under common law is not uncommon in the industry. None of our Directors has been personally involved in our Group's litigation rendering him/her unable to comply with Rules 3.08 and 3.09 of the Listing Rules.

Further, by mutual consents of the parties or notices of discontinuance filed by the relevant applicants, 21 employees' compensation applications and two common law personal injury claims that were commenced against CK Woodworks as a respondent/defendant for accidents occurred during the Track Record Period and up to the Latest Practicable Date had been settled or discontinued. The total settlement sum in respect of these 23 settled or discontinued employees' compensation applications and common law personal injury claims amounted to approximately HK\$4.3 million, which was fully covered by the insurance policies maintained by the relevant main contractors. Despite the settlement or discontinuance of the 21 employees' compensation applications, (a) five of the applicant workers have commenced personal injury claims under common law against CK Woodworks; (b) 13 of the applicant workers may have potential personal injury claims under common law against CK Woodworks for the reason that the limitation periods for instituting the personal injury claims under common law have not yet been expired; and (c) two of the applicant workers have settled the corresponding personal injury claims under common law with CK Woodworks. The remaining applicant worker was time-barred to institute a personal injury claim under common law against CK Woodworks. For further details of the potential employees' compensation claims and potential common law personal injury claims against our Group, please refer to the paragraph headed "Potential claims" in this section below.

Litigations in relation to safety-related non-compliance

In addition, during the Track Record Period, we have been involved in a number of litigations in relation to safety-related non-compliances with the applicable laws and regulations. For further details, please refer to the paragraph headed "Non-compliance" in this section below.

Potential claims

As stated in the paragraph headed “Occupational Health and Safety — Accidents during the Track Record Period” in this section above, there were 45 workplace accidents occurred to workers of our Group during the Track Record Period and up to the Latest Practicable Date, out of which 34 accidents may give rise to potential employees’ compensation claims and/or potential common law personal injury claims against our Group, where the limitation periods for the workers to commence such claims have not been expired.

Potential claims refer to those claims that have not been commenced against our Group but are within the limitation period of two years (for employees’ compensation claims) or three years (for personal injury claims) from the date of the relevant accidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As court proceedings for such potential claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims. Out of the abovementioned 45 workplace accidents occurred to workers of our Group during the Track Record Period and up to the Latest Practicable Date, (i) the employees’ compensation claim regarding one of these accidents was settled and the limitation period for the common law personal injury claim has been expired; (ii) the employees’ compensation claims regarding five of these accidents were settled and the common law personal injury claims have been commenced against our Group; (iii) the employees’ compensation claims and the common law personal injury claims regarding two of these accidents were settled; and (iv) the employees’ compensation claims and the common law personal injury claims regarding three of these accidents have been commenced against our Group. The table below sets out the nature of the abovementioned 11 accidents:

Nature of accidents	Number of accidents
Fell from height	2
Slipped, tripped, or fell on same level	2
Struck by/against moving or falling objects	3
Cut, stabbed or crushed	3
Trapped or caught in between objects	1
	<hr style="width: 100%;"/>
Total	11
	<hr style="width: 100%;"/>

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The table below sets out the nature of the remaining 34 accidents which may give rise to potential employees' compensation claims and/or potential common law personal injury claims against our Group, where the limitation periods for the workers to commence such claims have not been expired:

Nature of accidents	Number of accidents
Fell from height	1
Slipped, tripped, or fell on same level	17
Struck by/against moving or falling objects	4
Struck against fixed or stationary objects	6
Injured whilst lifting, carrying or handling formwork	2
Cut, stabbed or crushed	3
Trapped or caught in between objects	1
	<hr/>
Total	34

These accidents occurred during the usual and ordinary course of our business and have neither caused any material disruption to our Group's business nor caused any material adverse impact on our Group to obtain and/or renew any licences or permits for our business operations. Moreover, there are insurance policies maintained by the relevant main contractors in place to cover our potential liabilities in relation to the above. Our Directors are of the view that the amount of such potential claims to be borne by our Group in the proceedings shall be covered by the relevant insurance policies and these potential claims are much unlikely to have material impact on our Group's operations. For further details, please refer to the paragraph headed "Insurance" in this section above.

Fatal accident

In September 2018, a fatal accident occurred at a site for the construction of public housing in Kwun Tong, Hong Kong (the "**Kwun Tong Site**"). CK Woodworks was engaged as a subcontractor for the provision of formwork services at the Kwun Tong Site. A construction worker employed by CK Woodworks fell from height when clearing up an air handling unit room (the "**AHU room**") at the Kwun Tong Site (the "**Accident**"), resulting in death of such construction worker.

In light of the Accident, the Labour Department issued a suspension notice (the “SN”) in accordance with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) to CK Woodworks on the same date, pursuant to which construction work near the AHU room shall be suspended until further notice and/or revocation of the SN. On 25 October 2018, the Labour Department issued a revocation notice in respect of the SN. In view of the Accident, we have strengthened our internal control measures, details of which are set out in the paragraph headed “Litigation, Arbitration and Potential Claims — Rectification actions and measures taken by our Group” in this section below.

As a result of the Accident, the Labour Department issued four summonses against CK Woodworks, details of which are set out in the paragraph headed “Non-compliance — Summonses” in this section below. As confirmed by our Directors, safety belts and safety helmets were provided to the construction workers at the Kwun Tong Site. Further, as confirmed by Mr. Lo, no instructions were given to the deceased worker to clear up the AHU room. Therefore, CK Woodworks was acquitted of these four summonses and accordingly, there is no conviction against CK Woodworks in relation to the Accident.

As at the Latest Practicable Date, no claim or litigation case, whether civil or criminal, in relation to the Accident has been initiated against our Group. Our Directors have confirmed that the relevant main contractor has taken out valid insurance to cover the risk of injury or death sustained in the course of employment for our employees. To the best knowledge and belief of our Directors, the relevant insurance was valid and subsisting to cover the employees’ compensation claim and the common law personal injury claim arising out of the Accident and there had been no circumstances where the insurance policy would be invalidated or void.

Hong Kong Legal Counsel’s view on the Accident

As CK Woodworks successfully defended the four summonses in relation to the Accident in August 2019, the Hong Kong Legal Counsel is of the view that there is no further legal consequence under such summonses and it is unlikely that regulatory action will be taken against our Group. Therefore, the summonses and the SN in relation to the Accident will have no legal impediment on our Group’s renewal and/or maintenance of registration as a registered specialist trade contractor under the RSTCS.

As for the potential civil employees’ compensation claim and common law personal injury claim which could be brought against our Group in connection with the Accident, given that the insurance taken out by the relevant main contractor was valid and subsisting, the Hong Kong Legal Counsel is of the view that the potential claims will be taken over by the relevant insurance company and it follows that the insurance company concerned will settle all reasonable claims with reference to the coverage of the insurance policy.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have, entered into a Deed of Indemnity in favour of our Company (for ourselves and as trustee for each of our subsidiaries) pursuant to which our Controlling Shareholders have agreed to jointly and severally indemnify each of the members of our Group against, *inter alia*, claims which may be made, suffered or incurred by our Group in connection with any litigation and/or claim instituted or threatened against our Group accrued or arising on or before the Listing Date. For details of the Deed of Indemnity, please refer to the section headed “Statutory and General Information — F. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

Views of our Directors and the Sponsor

Our Directors are of the view, and the Sponsor concurs, that the Accident is an isolated accident as (i) the Accident did not appear to be caused by any systemic failure of the safety system of our Group; (ii) our Group has put in place adequate and effective safety work system and measures to ensure the occupational health and safety of the employees of our Group and our subcontractors; and (iii) there has not been other serious or fatal work injury sustained by the employees of our Group or our subcontractors during the Track Record Period and up to the Latest Practicable Date other than the Accident. Further, our Directors are of the view that the SN had no material impact on the operations of our Group as the SN had already been revoked. In view of (i) the advice of the Hong Kong Legal Counsel; and (ii) the fact that the insurance taken out by the relevant main contractor was valid and subsisting, our Directors are of the view, and the Sponsor concurs, that the Accident would have no material adverse impact on our Group’s operations and financial position.

Rectification actions and measures taken by our Group

Upon identification of the respective workplace accidents, we have strengthened our internal control policy by adopting the following specific measures:

Nature of accidents	Specific internal control measures
Fell from height	<ul style="list-style-type: none"> (i) Requiring scheduled workers who have not received silver card training to attend the safety training provided by the Construction Industry Council; (ii) ensuring carpentry to be carried out by skilled workers or semi-workers; (iii) covering all openings with wooden plates together with proper warning notices;

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Nature of accidents

Specific internal control measures

	<ul style="list-style-type: none">(iv) purchasing additional ladder platforms for activities at a height of two metres or below;(v) establishing specific inspection checklists for working platforms;(vi) providing refresher safety training to all workers; and(vii) reviewing risk assessments conducted for activities at a height of two metres or more.
Slipped, tripped, or fell on same level	<ul style="list-style-type: none">(i) Clearing up walkways regularly;(ii) providing proper and sufficient lighting both inside and outside of workplaces;(iii) providing refresher safety training to all workers;(iv) avoiding cables from being laid out on walkways; and(v) reviewing risk assessments conducted for same-level activities.
Struck by/against moving or falling objects	<ul style="list-style-type: none">(i) Avoiding lifting of materials under heavy winds or thunderstorm;(ii) requiring workers to observe weather conditions and the surroundings when lifting large or heavy loads;(iii) avoiding workers from standing at the lifting areas;(iv) designating signalers who have received specific training;(v) ensuring all signalers to wear reflective vests;(vi) providing refresher safety training to all workers;

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Nature of accidents	Specific internal control measures
	(vii) arranging all workers to attend silver card training programmes; and
	(viii) fencing lifting areas with proper warning notices.
Struck against fixed/ stationary objects	(i) Providing refresher safety training to all workers.
Injured whilst lifting, carrying or handling formwork	(i) Providing refresher safety training to all workers.
Cut, stabbed or crushed	(i) Reviewing the safety standard of safety gloves; and
	(ii) providing refresher safety training to all workers.
Trapped or caught in between objects	(i) Reviewing risk assessments conducted for manual activities; and
	(ii) providing refresher safety training to all workers.

As confirmed by our Directors, we implemented the above specific internal control measures and/or reviewed our then existing safety control measures within two weeks after the occurrence of the respective workplace accidents.

Since implementation of the above internal control measures, the number of workplace accidents we recorded has been decreasing. Our Group is committed to complying with all relevant workplace safety laws and regulations applicable to our operations. Our Directors believe that, together with the additional internal control measures adopted by our Group, there are proper and sufficient internal control measures being put in place to prevent recurrence of safety-related non-compliance incidents going forward.

FIRE PREVENTION

We are subject to fire safety laws and regulations in Hong Kong. We pay special attention to fire safety as the construction sites accommodate a lot of workers and building materials which may be flammable. We endeavour to maintain a high standard of internal fire safety guidelines.

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In November 2019, a fire accident occurred at a site for the construction of a commercial building in Tsuen Wan, Hong Kong (the “**Tsuen Wan Site**”) at a late hour of the day. The relevant project is Project W060 as set out in the paragraph headed “Our projects — Our ongoing projects” in this section above. CK Woodworks was engaged as a subcontractor for the provision of formwork services at the Tsuen Wan Site. At the material time, all workers had left the Tsuen Wan Site. The cause of the fire accident was still under investigation as at the Latest Practicable Date, but it is believed that the fire accident was caused by electric fire. No casualties were caused by the fire accident. Some of our formwork materials and scaffolds erected by our Group were damaged during the fire accident which will likely delay the expected completion date of the project by three months, from September 2020 to December 2020. The relevant customer has confirmed acceptance of such potential three-month delay and certified the losses recorded by our Group as a result of the fire accident in the sum of approximately HK\$6.6 million, which have been fully covered by the insurance policies maintained by the main contractor of the Tsuen Wan Site. Therefore, our Directors considered that the overall impact caused by the fire accident on our business, results of operations and/or financial performance will not be material.

Since the occurrence of the fire accident, we have implemented measures to further strengthen our compliance with fire prevention laws and regulations and prevent recurrence of similar accidents in the future including but not limited to the following:

- we recommend our workers to perform safety checks on all electrical wires and switches at all construction sites;
- we ensure that all switches at all construction sites are equipped with circuit breaker(s);
- we require our workers to attend refresher safety training in relation to the use of electrical tools and equipment;
- we prohibit our workers and subcontractors from smoking at all construction sites; and
- sufficient and effective fire extinguishers are equipped at all construction sites.

Save as disclosed above, we did not encounter any non-compliance incidents in relation to fire safety laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

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NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, save for the non-compliance set out below, we had complied with the applicable laws and regulations in Hong Kong in all material respects:

Non-compliance incident	Reason(s) identified	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
<p>Failure to submit information regarding the commencement (namely Form IR 56E) and cessation (namely Form IR 56F) of employment to the Inland Revenue Department (the "IRD") by CK Woodworks for FY2018.</p>	<p>The failure was unintended and due to inadvertent oversight of our Group's administrative and human resources staff and their ignorance of the requirements under the relevant laws and regulations.</p>	<p>Under section 80(1) of the Inland Revenue Ordinance (the "IRO"), any person without reasonable excuse fails to comply with sections 52(4) and 52(5) for the filing of Form IR 56E and Form IR 56F shall be guilty of an offence and the maximum penalty for each offence is HK\$10,000.</p> <p>As there were three and one occasions of non-compliance of sections 52(4) and 52(5) of the IRO in FY2018, the potential aggregate maximum penalty in relation to such non-compliances is HK\$40,000.</p> <p>Considering that: (i) the non-compliance was due to the inadvertent oversight on the part of our Group's administrative and human resources staff who are not familiar with the IRO requirements; (ii) there appears to be no taxable repercussions arising from the non-compliance and there is no evidence showing any scheme of our Group to avoid tax because our Group had duly filed the relevant employer's return, i.e. Form IR 56B, which contained the list of employees and their remunerations and</p>	<p>Upon enquiry with the IRD, we were informed that there is no need to file the outstanding Forms IR 56E and IR 56F since the relevant employer's returns of remuneration & pension (Forms IR 56B) have been submitted.</p> <p>The relevant Forms IR 56E and IR 56F for all of our employees for FY2019 and FY2020 were duly filed within the prescribed time limit.</p> <p>The Controlling Shareholders have also undertaken to indemnify our Group against any damages, liabilities, claims or losses suffered by our Group as a result of these non-compliances.</p>	<p>Since the discovery of these non-compliances, our executive Director Mrs. Lo has been overseeing the filing of Forms IR 56E and IR 56F to ensure compliance with the IRO.</p> <p>We have also strengthened our written policies in recruiting new staff and submission of documents to the IRD for new staff and resigned staff. All staff personnel records are updated monthly and the documents submitted to the IRD are reviewed by Mrs. Lo to ensure compliance with the IRO.</p>

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Non-compliance incident	Reason(s) identified	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
		<p>pensions and therefore the IRD has been kept informed of the employment affairs of our Group despite our failure to file Forms IR 56E and IR 56F; (iii) our Group was informed by the IRD that there is no need to file the outstanding Forms IR 56E and IR 56 F in arrears; and (iv) there has been no prosecution under these two sections since 2006 as evidenced by the statistics published in the website of the IRD, the Hong Kong Legal Counsel is of the view that the chance of prosecution against our Group and/or our Directors is remote. Even in case of prosecution, an amount at the lower end of HK\$3,000 may be imposed per each occasion.</p> <p>As at the Latest Practicable Date, our Group has not received any notice from the IRD regarding the said non-compliances.</p> <p>Based on the above, no provision has been made in respect of the potential fines by our Group.</p>		

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Summonses

During the Track Record Period and up to the Latest Practicable Date, we received improvement notices and suspension notices issued by the Labour Department. The improvement notices and suspension notices were issued following the random inspections or accident investigations carried out by the Labour Department. Improvement notices are issued to require rectification of contravention of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) within a specified period or to refrain from continuing or repeating the contravention, while suspension notices are issued to suspend an activity or the use of premises or of any plant or substance where there is imminent risk of death or serious bodily injury. After issuance of improvement notices and suspension notices, the Labour Department may initial legal proceedings by serving related summonses in connection with the non-compliances alleged in the improvement notices and suspension notices.

During the Track Record Period and up to the Latest Practicable Date, CK Woodworks received 22 summonses (the “**Summonses**”), (i) 18 of which were convicted in respect of non-compliance incidents under the Factories and Industrial Undertakings Ordinance and its subsidiary legislations; and (ii) four of which relating to the Accident were acquitted. A summary of the Summonses is set out below:

	Particulars of the Summonses ¹	Date of the incidents leading to the Summonses ²	Relevant sections of the ordinance/regulation	Legal consequences and liabilities/actual penalty
1.	Failing to ensure that every part of any load to be raised or lowered by a lifting appliance is securely suspended or supported before the lifting appliance is used.	11 August 2017	Regulations 7J(1)(a) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong)	A fine of HK\$20,000 ³
2-10.	Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more.	(i) 30 November 2017 (ii) 30 November 2017 (iii) 4 December 2017 (iv) 3 May 2018 (v) 3 May 2018 (vi) 22 June 2018 (vii) 22 June 2018 (viii) 6 September 2018 (ix) 15 November 2018	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	(i) a fine of HK\$10,000 ³ (ii) a fine of HK\$10,000 ³ (iii) a fine of HK\$10,000 ³ (iv) a fine of HK\$10,000 ³ (v) a fine of HK\$10,000 ³ (vi) a fine of HK\$13,500 ³ (vii) a fine of HK\$13,500 ³ (viii) nil ¹ (ix) a fine of HK\$11,000 ³

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Particulars of the Summonses ¹	Date of the incidents leading to the Summonses ²	Relevant sections of the ordinance/regulation	Legal consequences and liabilities/actual penalty
11-12. Failing to ensure that, so far as reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained.	(i) 4 December 2017	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the	(i) a fine of HK\$10,000 ³
	(ii) 15 November 2018	Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	(ii) a fine of HK\$11,000 ³
13-14. Failing to take all reasonable steps to ensure that every person who was provided eye protectors, or a shield or a fixed shield made full and proper use of the same.	(i) 22 June 2018	Regulations 7(b) and 9(1) of the Factories and	(i) a fine of HK\$1,650 ³
	(ii) 22 June 2018	Industrial Undertakings (Protection of Eyes) Regulations (Chapter 59S of the Laws of Hong Kong)	(ii) a fine of HK\$1,650 ³
15. Failing to provide and ensure the use of a scaffold, ladder or other means of support, which was safe for the purpose, having regard to the work to be done, where work could not be safely done on or from the ground or from the part of a permanent structure.	22 June 2018	Regulations 38C, 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	A fine of HK\$9,000 ³
16. Failing to establish not less than one safety committee having the function of identifying, recommending and keeping under review measures to improve the safety and health of the workers in the relevant industrial undertaking involving construction work.	22 June 2018	Sections 10(a) and 34(3) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong)	A fine of HK1,500 ³
17. Failing to ensure that safety audits were conducted not less than once in each six months beginning with 24 November 2016.	22 June 2018	Sections 13(2)(a) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong)	A fine of HK\$9,000 ³
18. Failing to ensure that safety reviews were conducted not less than once in each six months beginning with 26 January 2018.	27 July 2018	Regulations 19(2)(a) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong)	A fine of HK\$8,000 ³

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	Particulars of the Summonses ¹	Date of the incidents leading to the Summonses ²	Relevant sections of the ordinance/regulation	Legal consequences and liabilities/actual penalty
19.	Failing to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking and failing to provide and maintain plant and systems of work that are, so far as is reasonably practicable, safe and without risks to health.	6 September 2018	Sections 6A(1), 6A(2)(a) and 6A(3) of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)	Nil ¹
20.	Failing to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking and failing to provide such information, instruction, training and supervision as is necessary to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking.	6 September 2018	Sections 6A(1), 6A(2)(c) and 6A(3) of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)	Nil ¹
21.	Failing to take suitable and adequate steps to ensure that, so far as is reasonably practicable, no person gains access to any place which is within the place of work where the construction work is being carried out and where any hazardous conditions are present.	6 September 2018	Sections 38AA(3), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	Nil ¹
22.	Failing to ensure, where there is carried on any process which results in particles of material or dust being produced in such a manner as to be likely to enter or damage the eyes of any workman engaged in the process, that the workman used the goggles.	31 October 2019	Sections 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)	A fine of HK\$4,000 ³

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Notes:

1. Subsequent to the issuance of a suspension notice on the date of the Accident, the Labour Department had served summonses 9, 19, 20 and 21 in March 2019 on CK Woodworks in connection with the non-compliance alleged in the said suspension notice. As confirmed by our Directors, the said suspension notice did not cause any material impact on the business operation of our Group because (i) our Group was not aware of any material delay as a result of the said suspension notice; and (ii) the said suspension notice was subsequently revoked in October 2018 and our Group was allowed to resume the construction works at the site upon the said revocation. Further, subsequent to the issuance of an improvement notice, the Labour Department had served summons 22 in April 2020 on CK Woodworks in connection with the non-compliance alleged in the said improvement notice. Save as disclosed herein, the Summonses are not related to the other improvement notices and suspension notice as confirmed by our Directors.
2. As confirmed by our Directors, the incidents leading to the Summonses arose because the relevant site worker(s) failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system.
3. The fines have been paid by our Group. As advised by the Hong Kong Legal Counsel, the criminal proceedings were brought to an end by the payment of fines and there will be no further legal consequences as a result of these convictions.

Suspension Notices and Improvement Notices

During the Track Record Period and up to the Latest Practicable Date, following the Labour Department's random inspections at eight construction sites located at Tin Shui Wai ("**Tin Shui Wai Site**"), Tseung Kwan O ("**Tseung Kwan O Site**"), Tuen Mun ("**Tuen Mun Site**"), Lohas Park ("**Lohas Park Site A**" and "**Lohas Park Site B**"), Wong Chuk Hang ("**Wong Chuk Hang Site**"), Kai Tak ("**Kai Tak Site**") and the Kwun Tong Site, (i) two suspension notices (the "**Suspension Notices**"); and (ii) 29 improvement notices (the "**Improvement Notices**") were issued by the Labour Department against CK Woodworks. Details of the Improvement Notices and Suspension Notices are set out below:

Location and type of notice	Particulars of the improvement notice/suspension notice ¹	Date of the inspection leading to the improvement notice/suspension notice	Date of the notice	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Tin Shui Wai Site: improvement notice 1	Failing to ensure that every part of any load to be raised or lowered by a lifting appliance is securely suspended or supported before the lifting appliance is used.	N/A ²	16 August 2017	Regulations 7J(1)(a) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Cap. 59J)	Under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, the maximum penalty for a breach of regulation 7J(1)(a) is a fine of HK\$200,000.

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Location and type of notice	Particulars of the improvement notice/suspension notice ¹	Date of the inspection leading to the improvement notice/suspension notice	Date of the notice	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Lohas Park Site A: improvement notices 2 and 3	Failing to ensure that, so far as reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained.	N/A ²	5 December 2017	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Cap. 591)	Under the Construction Sites (Safety) Regulations, the maximum penalty for a breach of regulation 38AA(2) is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000.
Tin Shui Wai Site: improvement notice 6		N/A ²	7 December 2017		
Tuen Mun Site: improvement notice 21		15 November 2018	20 November 2018		
Lohas Park Site A: improvement notices 4 and 5	Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more.	N/A ²	5 December 2017	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Cap. 591)	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 38B(1A) is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000.
Tin Shui Wai Site: improvement notice 7		N/A ²	7 December 2017		
Tuen Mun Site: improvement notices 8 and 9		3 May 2018	8 May 2018		
Lohas Park Site A: improvement notices 10, 11 and 12		22 June 2018	27 June 2018		
Tuen Mun Site: improvement notices 19 and 20		15 November 2018	20 November 2018		
Wong Chuk Hang Site: improvement notice 27		13 January 2020	15 January 2020		
Kai Tak Site: improvement notice 28		27 May 2020	1 June 2020		
Lohas Park Site A: suspension notice 1 ³		N/A ²	12 September 2017		
Kwun Tong Site: suspension notice 2 ⁴		6 September 2018	6 September 2018		

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Location and type of notice	Particulars of the improvement notice/suspension notice ¹	Date of the inspection leading to the improvement notice/suspension notice	Date of the notice	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Lohas Park Site A: improvement notice 13	Failing to ensure that no timber or material with projecting nails or other sharp objects are used in the construction	22 June 2018	27 June 2018	Regulations 51(2), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety)	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 51(2) is a fine of HK\$50,000.
Tuen Mun Site: improvement notices 22 and 23	work or left on the place where the construction work is being carried out if the nails or objects are a source of danger to the workmen employed there.	15 November 2018	20 November 2018	Regulations (Cap. 591)	
Lohas Park Site B: improvement notice 26		23 December 2019	6 January 2020		
Kai Tak Site: improvement notice 29		27 May 2020	1 June 2020		
Lohas Park Site A: improvement notice 14	Failing to ensure that workman uses goggles or screens at a construction site where there is carried on a process which results in particles of material or dust being produced in such a manner as to be likely to enter or damage the eyes of the workman engaged in the process.	22 June 2018	27 June 2018	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety)	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 43(b) is a fine of HK\$50,000.
Tseung Kwan O Site: improvement notice 25		31 October 2019	4 November 2019	Regulations (Cap. 591)	
Lohas Park Site A: improvement notices 15 and 16	Failing to take all reasonable steps to ensure that every person who was provided eye protectors, or a shield or a fixed shield made full and proper use of the same.	22 June 2018	27 June 2018	Regulations 7(b) and 9 of the Factories and Industrial Undertakings (Protection of Eyes) Regulations (Cap. 59S)	Under the Factories and Industrial Undertakings (Protection of Eyes) Regulations, the maximum penalty for a breach of regulation 7(b) is a fine of HK\$50,000.

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Location and type of notice	Particulars of the improvement notice/suspension notice ¹	Date of the inspection leading to the improvement notice/suspension notice	Date of the notice	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Lohas Park Site A: improvement notice 17	Failing to provide and ensure the use of a scaffold, ladder or other means of support, which was safe for the purpose, having regard to the work to be done, where work could not be safely done on or from the ground or from the part of a permanent structure.	22 June 2018	27 June 2018	Regulations 38C, 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Cap. 59I)	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 38C is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000.
Lohas Park Site A: improvement notice 18	Failing to ensure that safety audits were conducted not less than once in each six months period where the relevant industrial undertaking involved construction work.	N/A ²	7 August 2018	Regulations 13(2)(a) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF)	Under the Factories and Industrial Undertakings (Safety Management) Regulation, the maximum penalty for the breach of regulation 13(2)(a) is a fine of HK\$200,000 and to imprisonment for six months.
Lohas Park Site A: improvement notice 24	Failing to establish not less than one safety committee having the function of identifying, recommending and keeping under review measures to improve the safety and health of the workers in the relevant industrial undertaking involving construction work.	N/A ²	22 November 2018	Regulations 10(a) and 34(3) of the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF)	Under the Factories and Industrial Undertakings (Safety Management) Regulation, the maximum penalty for the breach of regulation 10(a) is a fine of HK\$100,000 and to imprisonment for three months.

Notes:

1. As confirmed by our Directors, the incidents leading to the issuance of the Improvement Notices and Suspension Notices arose because the relevant site worker(s) failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system.
2. No date of inspection was stated in the improvement notice/suspension notice.
3. This suspension notice was revoked on 16 March 2018.
4. This suspension notice was revoked on 25 October 2018.

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As advised by the Hong Kong Legal Counsel, the issuance of the revocation notices indicated that our Group has complied with the Suspension Notices. Accordingly, there is no risk of prosecution in relation to the Suspension Notices. Regarding the Improvement Notices, the Hong Kong Legal Counsel has advised that a breach of section 9 of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) is a summary offence and any complaint or information must be laid within six months from the time when the matter arose. As criminal prosecution which is attributable to the non-compliance incidents of the Improvement Notices (save for the Improvement Notices 28 and 29) has already been time-barred, the Hong Kong Legal Counsel is of the view that there is no risk of prosecution. Regarding the Improvement Notices 28 and 29, since our Group has fully complied with the same by adopting the relevant safety measures, the Hong Kong Legal Counsel is of the view that the risk of prosecution is remote. As at the Latest Practicable Date, no labour summonses had been received in respect of the Improvement Notices 28 and 29.

Having considered, among others, (i) the convicted Summonses are not convictions in relation to serious construction site safety incidents resulting in loss of life or serious bodily injury; (ii) the breaches specified in the Improvement Notices and Suspension Notices are far less serious than those set out in the RSTCS Rules and Procedures for the Register of Subcontractors as set out in the section headed “Regulatory Overview — Licensing/Registration regime” in this prospectus; (iii) construction companies which had recorded fatal accident cases could successfully renew their registration under the Subcontractor Registration Scheme and be listed on the Stock Exchange; and (iv) our Group has experienced no difficulty in maintaining and renewing its registration under the Subcontractor Registration Scheme or the RSTCS (as the case may be), the Hong Kong Legal Counsel is of the view that the Summonses, Improvement Notices and Suspension Notices will have no legal impediment in our Group’s renewal and/or maintenance of CK Woodworks’ registration as a registered subcontractor under the RSTCS.

As advised by the Hong Kong Legal Counsel with reference to the Guidance Letter HKEx-GL63-13 issued by the Stock Exchange, in which our Directors and the Sponsor also concur that, the incidents leading to the Summonses and/or the issuance of the Improvement Notices and/or Suspension Notices are of recurring nature and would constitute systemic non-compliances. Having considered, among others, (i) our Directors have confirmed that the incidents leading to the Summonses and/or the issuance of the Improvement Notices and/or Suspension Notices arose because the relevant site worker(s) failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group’s safety management system; (ii) the non-compliances identified in the convicted Summonses, Improvement Notices and Suspension Notices are not the most serious of the kind; (iii) our Group has been properly registered and in full compliance with the licensing requirements; (iv) the issuance of improvement notices and suspension notices of the same nature is not uncommon in the construction industry; and (v) remedial actions have been taken by our Group, the Hong Kong Legal Counsel is of the view, and our Directors and the Sponsor concur, that the Summonses and the issuance of the Improvement Notices and Suspension Notices would not affect our Group’s suitability for listing or our Directors’ integrity, competence and required level of skill, care and diligence.

Rectification actions and measures taken by our Group

After receiving the suspension notices and improvement notices, we have adopted certain internal control measures, including the following:

- (i) a safety committee was established in January 2019 to hold meetings on a quarterly basis to identify and review measures to improve safety and health matters at the construction sites. Mr. Lo, our executive Director and chairman of our Board, sits as the chairman of the safety committee. The safety manager and safety supervisors of our Group have to attend the safety committee meetings and share their experience and professional safety advice to all committee members. Safety supervisors will communicate any important messages and additional safety precautions to the workers at the construction sites;
- (ii) a set of guidelines strengthening the proper work procedures and safety precautions for carrying out the relevant work was adopted in May 2018. Risk assessments will be conducted prior to the commencement of construction works to identify the potential hazards and suggestions and proper preventive measures will be provided when necessary. In addition, the safety committee will issue formal notice (with photo evidence) to the concerned construction site if any non-compliance or safety issue was identified during the regular safety checks and carry out necessary rectification actions;
- (iii) warning letters will be issued to the relevant subcontractors who failed to follow the in-house safety guidelines, and our safety supervisors will provide additional training to such subcontractors; and
- (iv) Mr. Chu Pui Fai Raymond, who is currently a registered safety officer and safety auditor of the Labour Department, has been recruited by our Group as a senior management staff (safety manager) in July 2019 to enhance the safety awareness of our Group.

Our Directors are of the view that the above internal control measures together with the specific measures in relation to the workplace accidents are proper and sufficient, having considered, among other things:

- (i) the workplace accidents recorded during the Track Record Period and up to the Latest Practicable Date and the incidents leading to the Summonses, Improvement Notices and/or Suspension Notices arose because the relevant site worker(s) failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system;
- (ii) regular on-site inspections are carried out by our safety supervisors who would report to Mr. Chu Pui Fai Raymond, our safety manager who possesses various certificates in safety engineering, to ensure strict compliance with the laws, rules and regulations regarding workplace safety;

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- (iii) safety briefings are conducted to our workers and subcontractors before the commencement of any construction work;
- (iv) refresher safety trainings are provided to our workers; and
- (v) systems of internal control only provide reasonable assurance of prevention of non-compliant incidents, but it is impossible to eliminate the possibility of the occurrence of similar safety-related non-compliant incidents, which are not uncommon in the construction industry.

Furthermore, since the establishment of the safety committee in January 2019 and the recruitment of Mr. Chu Pui Fai Raymond in July 2019, our Group has not received any additional suspension notice save as disclosed herein and has only received one additional summons. The number of improvement notices received by our Group has been decreasing from seven for FY2018 and 17 for FY2019 to three for FY2020 and two for the period from 1 April 2020 to the Latest Practicable Date. The number of workplace accidents recorded by our Group has also been decreasing from 17 for FY2018 to 13 for FY2019 (when we adopted the strengthening safety guidelines and established the safety committee in January 2019), and further to nine and six for FY2020 (when Mr. Chu Pui Fai Raymond joined our Group as our safety manager in July 2019) and the period from 1 April 2020 to the Latest Practicable Date respectively. Therefore, our Directors believe that our safety measures currently in force are sufficient and effective.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal control

To assess and identify weakness in our internal procedures, systems and controls, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) in April 2019 to perform a review over selected areas of our internal controls.

The internal control consultant conducted an internal control review in April and May 2019 (the “**Internal Control Review**”) and identified findings and made recommendations to us to enhance our internal controls and corporate governance practices.

The Internal Control Consultant conducted a follow-up review in August 2019 to review the status of the management action taken by our Group to address the recommendations of the Internal Control Review (the “**Follow-up Review**”). We have adopted and implemented the recommendations provided by the Internal Control Consultant and therefore, the Internal Control Consultant did not have any further recommendation in the Follow-up Review. We also engaged the Internal Control Consultant in August 2019 to review the “rectification actions and measures taken by our Group” in paragraph headed “Suspension Notices and Improvement Notices” in this section (the “**Additional Review**”). The Internal Control Consultant provided no further recommendations in the Additional Review. The Internal Control Review, the Follow-up Review and the Additional Review were conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Internal control measures to improve corporate governance and prevent recurrence of non-compliance

We recognise the importance of up-keeping adequate internal control and risk management systems. In order to continuously improve our corporate governance and prevent recurrence of non-compliance, we intend to adopt or have adopted the following measures:

1. our Group has arranged for our Directors and senior management to attend a training program on the relevant applicable laws and regulations, including the Listing Rules, provided by our Company's Hong Kong legal advisers prior to the Listing. Our Group will continue to arrange various training programs on an annual basis to be provided by its legal advisers in Hong Kong and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations.

In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

2. we will appoint Ample Capital Limited as our compliance adviser upon Listing to advise us on regulatory compliance with the Listing Rules;
3. we will strengthen trainings for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance perception and responsibility. We plan to provide training to employees of managerial level on an annual basis and *ad hoc* training to all relevant employees when we find it necessary;
4. our Group has appointed Mr. Cheng Wai Hei as our company secretary to handle the secretarial matters and day-to-day compliance matters of our Group. Mr. Cheng Wai Hei is also responsible for the timing and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements;
5. when necessary, we will engage external professionals, including auditors, internal control consultants, external legal adviser(s) and other advisers to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time; and
6. Our Group will hire a senior staff member with substantial experience in human resources to handle human resources matters including compliance with the reporting requirements set out by Inland Revenue Department regarding the filing of Form IR56B, Form IR56E and Form IR56F and in other areas such as recruiting suitable staff, staff benefits and remunerations; training, labour and employee relations and organisation development.

We are exposed to various risks during our operations. For more details about these risks, please refer to the section headed “Risk Factors” in this prospectus. We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the production and sales of products, administration of daily operations, financial reporting and recording, compliance procedures with applicable laws and regulations on environmental protection, production safety and product safety. Our Board oversees and manages the overall risks associated with our operations. We had established the Audit Committee to review and supervise the financial reporting process and internal control system of our Group. For a detailed description of the terms of reference and responsibility of our Audit Committee, please refer to the section headed “Directors and Senior Management — Board Committees — Audit Committee” in this prospectus.

Liquidity risk management

According to the Frost & Sullivan Report, just like the rest of the construction industry, formwork services is considered capital intensive, which often incurs significant amount of operating cash outflows as upfront costs and working capital at an early stage of the project. Such upfront costs and expenses normally cover procurement costs of materials, staff costs of direct labour and subcontracting charges. It is however an industry norm that formwork services providers receive cash inflow from progress payments upon certification by their customers with reference to the percentage of works completed. As a result, cash collection period from customers is usually longer than the period for payment of suppliers and subcontractors’ fees. These upfront costs coupled with the timing mismatch in the trade related receivable and payables have generally placed a significant burden on the internal resources of formwork services provider and their ability to manage their financing and cash flow in carrying out their projects before the receipt of progress payments from customers. In addition, it is also an industry practice for customers to withhold up to 10% of the total contract sum as retention money, half of which will generally be released to formwork services providers after the issue of the certificate of practicable completion and the remaining balance will be released subsequent to the expiry of the defects liability period generally up to 24 months, which causes further stress on the cash flow of formwork service providers. Such financial pressure will increase when a formwork services provider experiences a growing business operation and handles multiple projects at the same time.

In line with the industry practice, while our turnover days of trade payables was approximately 11.1 days, 10.1 days and 13.0 days for FY2018, FY2019 and FY2020 respectively, our trade receivables and contract assets turnover days were approximately 84.2 days, 150.9 days and 107.8 days for FY2018, FY2019 and FY2020 respectively, indicating a potential cash flow mismatch for our Group in relation to our payments to our material suppliers, direct labour and subcontractors and payments received from our customers. For detailed analysis of our net cash used in operating activities, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Net cash generated from operating activities” in this prospectus.

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The aforementioned market practice inevitably exposes our Group to potential liquidity mismatch, which will be intensified along with our business growth. As such, our Directors believe that we may likely face liquidity risks from time to time as a result of the mismatch of our operating cash flow arising from the early settlement of our upfront cost and the delay in receiving working capital in the form of trade payables by converting our trade receivables and contract assets into cash.

According to the Frost & Sullivan Report, in order to maintain its liquidity and finance the significant amount of upfront cost and working capital, it is not uncommon for an industry player in the formwork market to seek debt financing. However, loan applications for private companies usually require the borrower to provide securities and collaterals to financial institutions. Such requirement may bar some private companies without sufficient resources to provide securities from obtaining debt financing. As a result, many formwork players in Hong Kong have to resort to seeking financial assistance from their controlling shareholders or asking their controlling shareholders to provide personal guarantees in case of debt financing from financial institutions. Further, most banks and financial institutions generally offer more favorable interest rate and financing terms to companies that have a listing status and are able to provide corporate guarantee.

Over the years of operation and during the Track Record Period, our Group did not own any property and was offered with a low credit limit with relatively high interest rates from financial institutions. As referred to in the section headed “Financial Information — Indebtedness” in this prospectus, our Group has adopted a financial leverage business structure financed by our Shareholders and a prudent liquidity management strategy to grow our business in the midst of a business environment characterised with a relative high liquidity risk. In this connection, instead of financing through banks or other financial institutions, we have relied on our working capital generated from our operation or the financing directly provided by our Shareholders in the following ways:

- (i) direct financing from our Shareholders — during the Track Record Period, we had recorded a significant net amount due to Mr. Lo and related companies controlled by and associated with Mr. Lo, which amounted to approximately HK\$133.7 million, HK\$7.2 million and nil as at 31 March 2018, 2019 and 2020 respectively with our gearing ratio being approximately 93.1%, 4.6% and 0.6% for the respective year ended dates with our cash level being HK\$71.8 million, HK\$25.8 million and HK\$33.3 million respectively. For details, please refer to the section headed “Financial Information — Net cash generated from/(used in) financing activities” in this prospectus. Up to the Latest Practicable Date, our Group has instead obtained a bank overdraft facility in the amount of HK\$60.0 million. Such facility however was secured by personal guarantee of Mr. Lo and required a corresponding cash deposits placed by Mr. Lo from his personal wealth, indicating the continuous reliance on financing from shareholders, details of which please refer to the section headed “Financial Information — Indebtedness” in this prospectus; and

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- (ii) the accumulated net profits of our Group that had not been distributed to shareholders as dividends over the years of our operation, apart from the dividend of approximately HK\$43.2 million declared by our Company on 12 September 2019 to Mr. Lo, the then sole shareholder of our Company, were recorded as a substantial part of our capital and reserves. As at 31 March 2018, 2019 and 2020, we recorded equity of approximately HK\$144.0 million, HK\$185.5 million and HK\$192.7 million respectively.

In order to further ease our liquidity pressure which will be intensified along with our business growth, we have put in place the following internal control measures and procedures to strengthen our liquidity management:

- (i) we would closely monitor our liquidity position and ensure sufficient working capital for our business operation, both in the short run and long run, through consistently reviewing our sales projection on a monthly basis and budget the upfront cost required for each of our projects in the pipeline from time to time. As detailed under the paragraph headed “Our Business Model and Operation Flow” in this section above, our management would take into account the size of projects and availability of our resources in assessing whether or not to submit tender/quotation for a formwork project;
- (ii) in respect of our supply of formwork services products to our customers, we would consider its nature and size of business and the number of trade receivables turnover days with such customer as compared with our overall trade payables turnover days, which aims at maintaining our liquidity position while preserving the growth in our business;
- (iii) we would closely monitor our cash and bank balance through constantly reviewing our internal records and bank account. When we identify any potential shortfall in our cash position, we would strive to negotiate for earlier settlement from our customers and/or request a longer credit period from our suppliers in order to mitigate the cash flow mismatch. When necessary, we might also apply for bank overdrafts from financial institutions as well as the use of equity financing (if available) to relieve the cash flow tension;
- (iv) we would perform ageing analysis of both trade receivables and payables at the end of each month, which will be regularly submitted to the management for review and approval;

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- (v) past due trade receivables are closely monitored and evaluated on a case-by-case basis with appropriate follow-up actions, depending on the customer's normal payment processing procedures, our relationship with the customer, its payment history, its financial position as well as the general economic condition. Follow-up actions to recover overdue trade receivables include (a) active communications with the customers' responsible personnel for processing payments; (b) cessation in processing any further orders from such customer until the overdue balance is recovered; (c) reviewing the recoverable amount of each individual trade receivables balance at the end of each reporting period to ensure adequate impairment allowances are provided for irrecoverable amounts; and (d) seeking legal advices for recovery action when necessary;
- (vi) our finance and administration team would prepare monthly trade receivables aging report which will be reviewed by our Directors and issue reminder for payment to the relevant customer if the relevant payment was overdue for more than one month, indicating that we reserve our right to impose additional interest on the overdue amount and may take legal action if the delay in repayment persists; and
- (vii) if any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to utilise our overdrafts facilities to repay our suppliers or finance our daily operations, if necessary.

Our Directors have confirmed that we had not experienced any material liquidity problem in settling our payables in the ordinary course of business which became due during the Track Record Period. Our Directors are of the view that our Group has maintained sufficient working capital and will not have material liquidity problems in settling our trade payables in the normal course of business, based on (i) the historical settlement record with our customers; (ii) the cash level maintained by us from time to time, our regular aging analysis on our trade payables and receivables; and (iii) our endeavours for stable and positive net profit margin. Such prudent liquidity management strategy, however, indicates our financial reliance on our Shareholders' continuing investment from their personal wealth, which may pose limitations on the scale our business growth. Should there be any opportunities of sizeable projects coming up, our Directors are of the view that we would have to pursue equity financing in the interest of our long-term sustainable development.

Corporate governance measures

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency, and accountability, earning the confidence of shareholders and the public. To comply with the requirements of the Listing Rules, in particular, the code provisions contained in the Corporate Governance Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit Committee, Remuneration Committee, and Nomination Committee with their respective written terms of reference in accordance with the Corporate Governance Code, for details please refer to the section headed “Directors and Senior Management — Board Committees” in this prospectus;
- (ii) our Board has adopted the terms of reference concerning corporate governance and Shareholders’ communication policy in accordance with the Corporate Governance Code;
- (iii) we will arrange appropriate insurance coverage on our Directors’ liabilities in respect of legal actions against our Directors arising out of our Group’s management and corporate activities before the Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of our Board and at least one of them has relevant accounting expertise;
- (v) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise provided in the Articles;
- (vi) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (vii) our Company will adopt comprehensive policies covering legal and regulatory compliance with reference to the Corporate Governance Code;
- (viii) our Company will consider engaging an independent internal control consultant to perform regular review on our Group’s internal control and risk management systems to ensure ongoing compliance after Listing; and
- (ix) our Directors will attend professional development seminars including, but not limited to, corporate governance to ensure ongoing compliance after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Magnificent Faith, which is wholly-owned by Mr. Lo, will hold approximately 55.9% of our Company's entire issued share capital. Accordingly, Magnificent Faith and Mr. Lo will be a group of our Controlling Shareholders within the meaning of the Listing Rules. Magnificent Faith is an investment holding company which does not engage in any other business activities as at the Latest Practicable Date.

Mr. Lo is an executive Director and the chairman of our Board. Please refer to the section headed "Directors and senior management" in this prospectus for further information about Mr. Lo.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Save as disclosed below, each of our Controlling Shareholders, our Directors and their respective close associates confirmed that they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

OTHER BUSINESS OF MR. LO AND MRS. LO

Mr. Lo and/or Mrs. Lo (as the case may be) are shareholders in other companies which are involved in the construction industry. Mr. Lo and Mrs. Lo jointly own CK Engineering while Mr. Lo on his own has shareholding interest in CK Formwork, Great Trade Corporation Limited ("**Great Trade**") and Able Joy Properties Limited ("**Able Joy**").

Each of Mr. Lo and Mrs. Lo is interested in 50% of the shareholding interest of CK Engineering, which is a limited liability company incorporated in Hong Kong on 19 March 1996. CK Engineering is engaged in the provision of formwork services and property rental. From June 2004 to June 2014, CK Engineering was registered as a subcontractor with the Construction Industry Council. Since August 2018, CK Engineering has been registered with the Construction Industry Council for designated trade of concreting formwork. Both Mr. Lo and Mrs. Lo have been directors of CK Engineering since incorporation. Mr. Lo is responsible for the daily operations of CK Engineering whereas Mrs. Lo is responsible for the administration and human resources and financial matters of CK Engineering. CK Engineering has no other employees. During the Track Record Period, CK Engineering handled only two construction projects, which were subcontracted by CK Woodworks in order to enable CK Engineering to qualify for registering the designated trade of concreting formwork with the Construction Industry Council. The aforesaid two projects were in relation to private commercial buildings in Kowloon Bay and North Point respectively. CK Engineering was engaged to provide

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conventional formwork services. CK Woodworks obtained the two projects from the main contractors at the aggregate contract sum of approximately HK\$54.1 million and HK\$29.0 million respectively. CK Woodworks then subcontracted the two projects to CK Engineering at the amount of approximately HK\$51.8 million and HK\$27.9 million respectively. CK Engineering engaged subcontractors to complete the said two projects. The two projects were completed by March 2019 and thereafter CK Engineering ceased its construction business. As at the Latest Practicable Date, CK Engineering held multiple properties in Hong Kong, one of which was occupied by Mr. Lo's family and no rental income was received by CK Engineering in respect of such property. Going forward, CK Engineering will remain as a property rental company.

To streamline our Group structure, CK Engineering did not form part of our Group after the Reorganisation. However, the Portion of the Listing Business Held by CK Engineering (as defined under the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus) was included in the historical financial information of our Group. The Portion of the Listing Business Held by CK Engineering relates to projects subcontracted from CK Woodworks to CK Engineering. The consolidated statements of financial position of our Group included all assets and liabilities of the Portion of the Listing Business Held by CK Engineering, and the consolidated statements of comprehensive income of our Group included all revenue, related costs, expense and charges of the Portion of the Listing Business Held by CK Engineering after elimination of inter-company transactions. CK Engineering completed all formwork services relating to the Listing Business (including the subcontracting works for two projects of CK Woodworks during the Track Record Period) by March 2019 and has already ceased to engage in the Listing Business since then. There is no external revenue generated by the Portion of the Listing Business Held by CK Engineering whereas the net profit from the Portion of the Listing Business Held by CK Engineering were approximately HK\$59,000, HK\$1.1 million and nil, which contributed to approximately 0.1%, 2.7% and nil of our Group's profit after tax for FY2018, FY2019 and FY2020, respectively. Further, to eliminate any competition between our Group and CK Engineering, Mr. Lo and Mrs. Lo have undertaken to our Group that they will procure CK Engineering not to be engaged in any construction-related business.

As at the Latest Practicable Date, Mr. Lo was the sole shareholder of CK Formwork. CK Formwork is a limited liability company incorporated in Hong Kong on 9 March 2006 which was owned as to 50% by Mr. Lo and 50% by Mr. Lo Kut Cheung (deceased) (the "Late Mr. Lo") with a view to capturing more business opportunities with the deceased's business connections. The Late Mr. Lo's shares in CK Formwork were acquired by Mr. Lo from the deceased's administratrix in August 2018 on par value. CK Formwork was engaged in the provision of formwork services. As at the Latest Practicable Date, as confirmed by Mr. Lo, all projects undertaken by CK Formwork were completed and it had ceased taking up new projects since the passing away of the deceased. There was no transaction between our Group and CK Formwork during the Track Record Period. As at the Latest Practicable Date, CK Formwork had no registration with the Construction Industry Council. CK Formwork was in the course of deregistration and Mr. Lo, being the sole director of CK Formwork, has confirmed that CK Formwork was solvent immediately prior to the preparation for deregistration.

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As confirmed by Mr. Lo, before the incorporation of CK Formwork and CK Woodworks, all the tenders/quotations for projects were submitted by CK Engineering. In 2006, Mr. Lo and the Late Mr. Lo together set up CK Formwork in equal share so to leverage on the connection of the Late Mr. Lo in the industry. Since then, for the projects sourced by the Late Mr. Lo, the tenders/quotations thereof were submitted by CK Formwork. In 2011, with a view to recognising Mr. Mar Ho Yuen's contribution who has been working with Mr. Lo for more than 10 years at that time, Mr. Lo set up CK Woodworks with Mr. Mar Ho Yuen and since then for the projects sourced by Mr. Lo or Mr. Mar Ho Yuen, tenders/quotations thereof were submitted by CK Woodworks. As a result, CK Engineering shifted its business focus from formwork business to property rental business. During the Track Record Period and up to the Latest Practicable Date, CK Woodworks, CK Engineering and CK Formwork had not submitted tender/quotation for the same project.

Further, Mr. Lo is interested in 40% and 50% of the shareholding interest of Great Trade and Able Joy respectively. Great Trade and Able Joy are limited liability companies incorporated in Hong Kong on 8 November 2017 and 20 September 2018 respectively. Both of Great Trade and Able Joy are investment holding companies which do not provide formwork services or other construction services. Great Trade is interested in two developers, namely 20% interest in 1 Plus 10 Investment Company Limited ("**1 Plus 10**") and 15% interest in 1 Plus 11 Investment Company Limited ("**1 Plus 11**"). Able Joy is interested in 15% of 1 Plus 12 Investment Company Limited ("**1 Plus 12**"), which is also a developer. As confirmed by Mr. Lo having made all reasonable enquiries, the other shareholders of Great Trade, Able Joy, 1 Plus 10, 1 Plus 11 and 1 Plus 12 are Independent Third Parties.

Each of 1 Plus 10, 1 Plus 11 and 1 Plus 12 has a project for the development of a commercial building. The location of the projects of 1 Plus 10 and 1 Plus 11 is Tsuen Wan whereas that of 1 Plus 12 is Cheung Sha Wan. The contract sums of the projects of 1 Plus 10 and 1 Plus 11 are approximately HK\$28.3 million and HK\$17.0 million respectively, whereas that of the project of 1 Plus 12 has not been confirmed.

As at the Latest Practicable Date, CK Woodworks was engaged for the provision of conventional formwork in respect of the projects of 1 Plus 10 and 1 Plus 11. The project of 1 Plus 10 is Project W060 as set out in the section headed "Business — Our projects — Our ongoing projects" in this prospectus. Project W060 was commenced in July 2019 and the expected completion date is December 2020. The project of 1 Plus 11 is Project W061 as set out in the section headed "Business — Our projects — Our ongoing projects" in this prospectus. Project W061 was commenced in April 2020 and the expected completion date is February 2021. The project of 1 Plus 12 is still at an early stage and our Group has not submitted tender for such project as at the Latest Practicable Date.

To the best knowledge and belief of our Directors having made all reasonable enquiries, each of CK Engineering, CK Formwork, Great Trade and Able Joy was not subject to any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently from our Controlling Shareholders and their close associates after Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Lo (who is also one of the directors of CK Engineering and the sole director of CK Formwork) and Mrs. Lo (who is also one of the directors of CK Engineering) hold directorships in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum; and
- (iii) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their associates. We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences and/or registrations necessary to carry on and operate our business and we have our leased premises and sufficient workforce to operate our business independently from our Controlling Shareholders and their associates.

During the Track Record Period, our Group leased a property for office use from CK Engineering, which is owned by Mr. Lo and Mrs. Lo in equal share and hence, a close associate of Mr. Lo and Mrs. Lo. The historical rental in respect of such property amounted to approximately HK\$0.4 million, HK\$0.4 million and HK\$70,000 for FY2018, FY2019 and FY2020 respectively. The historical transaction amounts were determined with reference to the prevailing market rental. The lease had ceased in June 2019.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with our Controlling Shareholders or their close associates.

During the Track Record Period, the banking facilities of our Group were guaranteed by Mr. Lo. The banking facilities amounted to HK\$60 million as at the Latest Practicable Date. Such guarantee provided by Mr. Lo will be replaced by the corporate guarantee of our Group upon Listing. For details of the personal guarantee, please refer to note 22 in the Accountant's Report set out in Appendix I to this prospectus.

Our Directors believe that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders after the Share Offer. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

NON-COMPETITION UNDERTAKINGS

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has under the Deed of Non-Competition undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remain a controlling shareholder of our Company:

- (a) he/it will not, and will procure his/its associates not to (other than through our Group or in respect of each covenantor (together with his/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly invest, participate, acquire or hold any rights, carry on, engage or otherwise be interested, whether on his/its own account or with each other or in conjunction with or on behalf of any person, firm or company (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise), through any body corporate, partnership, joint venture or other contractual arrangement (including but not limited to, undertake or otherwise participate in any projects, contracts, works or orders in or involving any business, which is or may be directly or indirectly in competition with the business or which is similar to the business carried on by our Group from time to time (the "**Restricted Activity**"), except where our Company's approval as mentioned in the paragraph below is obtained;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) if he/it is offered or becomes aware of any project or any new business opportunity relating to the Restricted Activity (the “**New Business Opportunity**”), whether directly or indirectly:
- (i) he/it shall promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing of such New Business Opportunity;
 - (ii) such written notice shall include all information together with any documents possessed by him/it or his/its associates in respect of the New Business Opportunity to enable our Company to evaluate the merit of the New Business Opportunity and all reasonable assistance as requested by our Company to enable our Company to come to an informed assessment of such New Business Opportunity;
 - (iii) he/it shall use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates (other than our Group);
 - (iv) upon receipt of the written notice from him/it, our independent non-executive Directors shall consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the New Business Opportunity. For the avoidance of doubt, he/it and his/its close associates (other than our Group) will not be entitled to pursue such New Business Opportunity unless the New Business Opportunity is declined by our Group or our Company does not proceed with such New Business Opportunity within 30 business days from the date of the written notice;
 - (v) if our Company has not given written notice of its intention to invest in such New Business Opportunity or has given written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group to him/it within 30 business days of receipt of notice from him/it, he/it and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. He/It agrees to extend 30 business days to a maximum of 60 business days if our Company requires further time to assess the New Business Opportunity by giving a written notice to him/it within the original period of 30 business days; and
 - (vi) if there is any disagreement between him/it and our Company as to whether any New Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Activity, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) if he/it and/or his/its associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Deed of Non-Competition, he/it will and/or will procure his/its associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and our Directors as soon as practicable. When any New Business Opportunity is referred to our Company by him/it, our independent non-executive Directors will consider such opportunity on various aspects including viability and profitability;
- (d) he/it will not, and will procure his/its associates not to, directly or indirectly, offer employment to, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of his/its knowledge, as at the date of the Deed of Non-Competition, is or has been or will after the date of the Deed of Non-Competition be, a customer, subcontractor, supplier, distributor, sales or management, technical staff or an employee of any member of our Group; and
- (e) he/it will not, and will procure his/its associates not to, exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) our Controlling Shareholders and his/its associates, individually and/or collectively, cease to be deemed as a controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) our Controlling Shareholders and his/its associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Deed of Non-Competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business whatsoever other than the Restricted Activity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-Competition:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders and their respective associates on their existing or future competing businesses;
- (b) our Controlling Shareholders shall promptly provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-Competition and make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company;
- (c) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by our Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public;
- (d) any New Business Opportunities under the Deed of Non-Competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to our independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-Competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of our independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-Competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to our independent non-executive Directors;
- (e) further, if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and
- (f) the compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board of Directors is responsible for and has general powers for the management and conduct of our business. The following table sets forth the information concerning our Directors:-

Name	Age	Position	Date of appointment as Director of our Company	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Lo Hon Kwong (盧漢光)	60	Executive Director and chairman of our Board	16 April 2018	23 September 2011	Responsible for the overall strategic planning and business development and overseeing the daily operation of our Group	Spouse of Mrs. Lo
Ms. Chan May Kiu (陳美嬌)	54	Executive Director and chief operations officer	9 August 2019	23 September 2011	Responsible for overseeing the administration, human resources and financial matters of our Group	Spouse of Mr. Lo
Dr. Yang Tao (楊濤博士)	59	Non-executive Director	9 August 2019	9 August 2019	Providing strategic advice to the business development of our Group	N/A
Sr. Dr. Leung Tony Ka Tung (梁家棟博士 測量師)	71	Independent non-executive Director	17 July 2020	17 July 2020	Providing independent advice to our Board	N/A
Ms. Chan Sze Man (陳詩敏)	39	Independent non-executive Director	17 July 2020	17 July 2020	Providing independent advice to our Board	N/A
Mr. Jiang Jungan (姜俊淦)	57	Independent non-executive Director	17 July 2020	17 July 2020	Providing independent advice to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lo Hon Kwong (盧漢光), aged 60, was appointed as an executive Director and the chairman of our Board on 9 August 2019. He is also one of the directors of CK Woodworks and the sole director of CK Engineering Technology, CK BVI, CK Technology Development and CK Strategy. He is responsible for the overall strategic planning and business development and overseeing the daily operation of our Group.

Mr. Lo attained his secondary school education in the PRC. Mr. Lo has over 35 years of experience in the construction industry. Prior to the incorporation of CK Engineering together with Mrs. Lo in March 1996, Mr. Lo worked as a foreman in Holly Woodworks Engineering Limited, a construction company in Hong Kong, from 1981 to 1989, where he was responsible for monitoring construction projects. He started and carried out his own construction business under the trade name of “Chi Kan” from 1989 to 1996.

Mr. Lo was a director of the following limited liability companies incorporated in Hong Kong prior to their respective dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Chi Kan Woodworks Company Limited	Provision of formwork services	Deregistration under section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	22 September 2006
Winning Engineering Limited	Provision of formwork services	Deregistration under section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	7 December 2007

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Lo confirmed that the above companies were solvent immediately prior to their respective dissolution and that there was no wrongful act on his part leading to the dissolution of the above companies by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Lo has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan May Kiu (陳美嬌), aged 54, was appointed as an executive Director and the chief operations officer of our Group on 9 August 2019. She is responsible for overseeing the administration, human resources and financial matters of our Group.

Mrs. Lo attained her secondary school education in Hong Kong. From October 1986 to July 1989, Mrs. Lo worked as a sales clerk in Hang Hing Steel Furniture Company, a Hong Kong company engaged in the sales of furniture, where she was responsible for the sales and accounting matters of the company. From 1989 to 1993, Mrs. Lo worked as an accounts clerk in Holly Woodworks Engineering Limited, a construction company in Hong Kong, where she was responsible for the accounting matters of the company. She incorporated CK Engineering together with Mr. Lo in March 1996.

Mrs. Lo was a director of the following limited liability company incorporated in Hong Kong prior to its dissolution by deregistration with details as follows:

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Chi Kan Woodworks Company Limited	Provision of formwork services	Deregistration under section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	22 September 2006

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mrs. Lo confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on her part leading to the dissolution of the above company by deregistration and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of the above company.

During the three years immediately preceding the Latest Practicable Date, Mrs. Lo has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Dr. Yang Tao (楊濤博士), aged 59, was appointed as a non-executive Director on 9 August 2019. He is responsible for providing strategic advice to the business development of our Group.

Dr. Yang completed his postgraduate studies in road engineering in the Nanjing Institute of Technology in February 1988. In December 1995, he obtained his Doctorate's degree in highways, city roads and airport engineering from the Southeast University in the PRC. He was awarded the title of professor in transportation engineering by the Southeast University in June 1996. Dr. Yang was a deputy of the tenth National People's Congress of the PRC between 2003 and 2008. He is currently a deputy of the sixteenth Nanjing Municipal People's Congress and a member of its standing committee. Dr. Yang is currently a registered town planner and a registered engineer of civil engineering (road engineering) in the PRC.

Dr. Yang has over 30 years of experience in the engineering field in the PRC. Dr. Yang has been engaged in the strategic research and planning of urban and regional transportation system, public transport and railway system, including the white paper on Nanjing transportation development, planning of Nanjing urban rail transit network and the white paper of Foshan transportation development. Since October 1996, he has been the chairman of the board of Nanjing Institute of City & Transport Planning Company Limited* (南京市城市與交通規劃設計研究院股份有限公司) (formerly known as Nanjing City Transport Planning Institute* (南京市交通規劃研究所)), where he was responsible for the overall business management, strategic development and technological innovation of the company.

During the three years immediately preceding the Latest Practicable Date, Dr. Yang has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Sr. Dr. Leung Tony Ka Tung (梁家棟博士測量師), aged 71, was appointed as an independent non-executive Director on 17 July 2020.

Sr. Dr. Leung obtained his Bachelor's degree of Social Science from the Chinese University of Hong Kong in December 1976. In November 2002, he took up a distance-learning course and graduated with a Doctorate's degree of Philosophy in Business Administration from Empresarial University, Costa Rica. In November 2004, he obtained his Master's degree of Science in International Real Estate from the Hong Kong Polytechnic University.

Sr. Dr. Leung was qualified as an estate agent in Hong Kong in August 2001. He was admitted as a registered professional surveyor in the General Practice Division in January 2006, and in the Planning and Development Division and the Property and Facility Management Division in April 2014. Sr. Dr. Leung is currently a fellow member of the Hong Kong Institute of Real Estate Administrators, a fellow of The Hong Kong Institute of Surveyors and a fellow of The Royal Institution of Chartered Surveyors.

DIRECTORS AND SENIOR MANAGEMENT

Sr. Dr. Leung has over 40 years of experience in the surveying industry and property market. He was previously employed by the Lands Department of the Hong Kong government from January 1977 to June 1978, and from the 1980's onwards by various property developers as well as a surveyor company in Hong Kong. In February 1996, Sr. Dr. Leung also incorporated his own company, New & Nice Limited (currently known as TL Properties Consultants International Limited), which is engaged in the business of property management and consultancy, and is currently the chairman of the group responsible for supervising the overall project management as well as formulating and implementing company policies and strategies. He was an independent non-executive director of South China Holdings Company Limited (formerly known as South China (China) Limited), a company listed on the Main Board (stock code: 413) and South China Assets Holdings Limited (formerly known as South China Land Limited), a company listed on GEM of the Stock Exchange (stock code: 8155) between December 2012 and June 2017. Since March 2016, Sr. Dr. Leung has been an independent non-executive director of Wang On Properties Limited, a property developer listed on the Main Board (stock code: 1243).

Sr. Dr. Leung was a director of the following limited liability companies incorporated in Hong Kong prior to their respective dissolution by deregistration/ striking off/members' voluntary winding up with details as follows:

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Better Assets Limited	Property investment	Members' voluntary winding up ¹	10 December 2007
Billion Trend Limited	Investment holding	Members' voluntary winding up ¹	25 February 2000
China Nation Enterprises Limited	Property developer	Deregistration under section 291AA of the Predecessor Companies Ordinance ²	2 September 2005
Doulos Management Services Limited	Property-related and value-added services	Members' voluntary winding up ³	20 April 2015
Enken Properties Limited	Property developer	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	12 April 2002
Forever Smart Development Limited	Investment holding	Members' voluntary winding up ¹	25 February 2000
Fortune Top Properties Limited	Property development	Members' voluntary winding up ¹	9 August 2007
Global Surveyors Company Limited	Property related consultancy works	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	5 August 2005
Hong Kin Development Limited	Investment holding	Striking off under section 746 of the Companies Ordinance ⁵	29 September 2017

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Joymate Development Limited	Property developer	Deregistration under section 291AA of the Predecessor Companies Ordinance ²	2 September 2005
Lason Properties Limited	Property developer	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	12 April 2002
Manwall Environmental Services Limited	Investment holding and property management	Members' voluntary winding up ¹	26 December 2013
Popular Star Enterprises Limited	Property investment	Members' voluntary winding up ¹	19 December 2007
Supermate Investment Limited	Property developer	Deregistration under section 291AA of the Predecessor Companies Ordinance ²	15 July 2005
THL Security Company Limited	Provision of security services	Members' voluntary winding up ³	8 February 2019
TL Architects And Engineers Limited	Engineering and architectural services	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	15 March 2002
TL Construction And Engineering Limited	Construction and engineering contracting	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	15 March 2002
TL Property Consultants Limited	Provision of property related consultancy services	Deregistration under section 291AA of the Predecessor Companies Ordinance ²	26 March 2004
United Property Management Limited	Provision of property related management services	Striking off under section 291 of the Predecessor Companies Ordinance ⁴	18 October 2002

Notes:

1. Under section 233(1) of the Predecessor Companies Ordinance, where the directors of a company resolved that the company will be able to pay its debts in full within 12 months from the commencement of the winding up, they may issue a certificate of solvency. A general meeting must be held within five weeks from the date of the certificate of solvency for the passing of special resolutions to place the company into members' voluntary liquidation and the appointment of liquidator. Under section 239 of the Predecessor Companies Ordinance, after all the affairs of the company have been wound up and the liquidator has filed the final accounts and final return to the Registrar of Companies of Hong Kong, the company will be dissolved on the expiration of three months from the registration of such final accounts and final return by the Registrar of Companies of Hong Kong.
2. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

3. Under section 233(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, where the directors of a company resolved that the company will be able to pay its debts in full within 12 months from the commencement of the winding up, they may issue a certificate of solvency. A general meeting must be held within five weeks from the date of the certificate of solvency for the passing of special resolutions to place the company into members' voluntary liquidation and the appointment of liquidator. Under section 239 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, after all the affairs of the company have been wound up and the liquidator has filed the final accounts and final return to the Registrar of Companies of Hong Kong, the company will be dissolved on the expiration of three months from the registration of such final accounts and final return by the Registrar of Companies of Hong Kong.
4. Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies of Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies of Hong Kong may strike off the name of a company from the register of companies.
5. Under section 746 of the Companies Ordinance, (i) after publishing a notice under section 744(3) or 745(2)(b), the Registrar of Companies may, unless cause is shown to the contrary, strike the company's name off the register of companies at the end of three months after the date of the notice; (ii) the Registrar of Companies must publish in the Gazette a notice indicating that the company's name has been struck off the register of companies; and (iii) on publication of the notice under subsection (2), the company is dissolved.

Sr. Dr. Leung confirmed that the above companies were solvent immediately prior to their respective dissolution and that there was no wrongful act on his part leading to the dissolution of the above companies by deregistration/striking off/members' voluntary winding up and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

During the three years immediately preceding the Latest Practicable Date, Sr. Dr. Leung has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Chan Sze Man (陳詩敏), aged 39, was appointed as an independent non-executive Director on 17 July 2020.

Ms. Chan obtained her Bachelor's degree of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 2003. She has been a fellow of the Hong Kong Institute of Certified Public Accountants since March 2016.

Ms. Chan has over 15 years of experience in the accounting and auditing industry in Hong Kong. From September 2003 to April 2010, Ms. Chan worked in Deloitte Touche Tohmatsu, an international accounting firm, with her last position as a manager. In June 2010, she joined Tongda Group Holdings Limited, a company listed on the Main Board (stock code: 698), which is engaged in the electronic products business, as an account manager and was promoted to the position of chief financial officer and company secretary in January 2011, where she was responsible for the corporate finance, accounts and company secretarial functions until August 2018, when she has been appointed as a non-executive director of the company. Ms. Chan acted as an independent non-executive director of Sunrise (China) Technology Group Limited (currently known as KOALA Financial Group Limited), a company listed on GEM of the Stock Exchange (stock code: 8226) from October 2012 to April 2015. Ms. Chan also acted as an independent non-executive director of Millennium Pacific Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8147) from June 2014 to July 2017. She has served as an independent non-executive director of Future Development Holdings

DIRECTORS AND SENIOR MANAGEMENT

Limited (formerly known as China Child Care Corporation Limited), a company listed on the Main Board (stock code: 1259) since September 2016. From September 2018 to November 2019, Ms. Chan worked in Transmit Entertainment Limited, a company listed on the Main Board (stock code: 1326), which is engaged in media and entertainment business in Hong Kong and the PRC, as the chief financial officer where she was responsible for finance, accounts and secretarial matters of the company.

In March 2012, two writs of summons were issued against Seamless Green China (Holdings) Limited (“**Seamless Green**”), a company listed on GEM of the Stock Exchange (stock code: 8150), and its directors including Ms. Chan. One of the claims alleged that the directors of Seamless Green breached their fiduciary duties by issuing a notice to convene a special general meeting in Dongguan, Guangdong at an early hour of the day so as to discourage or prevent shareholders from attending and voting at the special general meeting. The other claim alleged that the directors of Seamless Green breached their fiduciary duties by issuing warrants and share options to others so as to dilute the then shareholders’ voting rights which might result in the relevant resolutions at the special general meeting not being passed. The writs were issued against Ms. Chan solely because she was then one of the directors of Seamless Green and none of the claims was made against Ms. Chan personally. Ms. Chan resigned from her position in November 2013. The claims relating to Ms. Chan under the writs were dismissed in April 2018.

Save as disclosed herein, Ms. Chan has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

Mr. Jiang Jungan (姜俊淦), aged 57, was appointed as an independent non-executive Director on 17 July 2020.

Mr. Jiang obtained his Bachelor’s degree in mechanical engineering from Yangzhou University in September 1998. He obtained the qualifications for Senior Engineer and Constructor in the profession of roads in the PRC in December 2003 and December 2005 respectively.

Mr. Jiang has over 35 years of experience in the engineering industry in the PRC. From 1980s to 2008, he worked for the engineering department of Yancheng City (鹽城市) under various positions. Since 2008, he has worked in China City Construction Second Engineering Bureau Group Company Limited* (中城建第二工程局集團有限公司) (currently known as China Overseas Construction Group Company Limited* (中海外建設集團有限公司)), which is engaged in the business of road engineering and construction, and Mr. Jiang is the chief engineer in charge of the technological aspects of the company.

During the three years immediately preceding the Latest Practicable Date, Mr. Jiang has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save for the interests in the Shares which are disclosed in the section headed “Substantial Shareholders” in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein this prospectus, none of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to Appendix IV to this prospectus for further information about our Directors, including details of the interest of our Directors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particulars of the service contract and remuneration.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chu Pui Fai Raymond (朱沛輝)	62	Safety manager	1 July 2019	Responsible for the safety matters of our Group	N/A
Mr. Tam Ping Cheong Jackson (譚炳昌)	62	Project manager	1 July 2019	Responsible for managing projects of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chu Pui Fai Raymond (朱沛輝), aged 62, is the safety manager of our Group. He joined our Group in July 2019 and has been responsible for the safety matters of our Group.

Mr. Chu obtained the Diploma in safety engineering from the China University of Geosciences (Wuhan) in April 2004. In 2003, he obtained various certificates in safety engineering in respect of (i) theory of occupational safety and health; (ii) occupational safety and health legislations; (iii) safety and health management; (iv) lifting and mechanical safety engineering; (v) construction safety; (vi) safety audit and site inspection; and (vii) investigation and reporting of accident from The Society of Certified Safety Engineers of Hong Kong. Mr. Chu is currently registered as a Safety Auditor and Safety Officer of the Labour Department.

Mr. Chu has over 20 years of safety experience. From 1997 to November 2014, he worked as a foreman/safety officer of Hip Hing Construction Company Limited, a construction company in Hong Kong and a wholly-owned subsidiary of NWS Holdings Limited, a company listed on the Main Board (stock code: 659). In Hip Hing Construction Company Limited, Mr. Chu was responsible for ensuring the safety compliance of various construction projects of the company. In November 2014, he founded Construction Engineering Safety Consultant Company and also acted as its safety manager to review and advise on safety matters.

Mr. Chu did not hold any directorship in any listed company during the three years immediately preceding the Latest Practicable Date.

Mr. Tam Ping Cheong Jackson (譚炳昌), aged 62, is the project manager of our Group. He joined our Group in July 2019 and has been responsible for managing projects of our Group.

Mr. Tam obtained the Certificate in civil engineering and the Higher Certificate in civil engineering from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1981 and November 1984 respectively.

Mr. Tam has over 40 years of experience in the construction industry. From 1976 to 2004, he worked for various construction companies in Hong Kong. Mr. Tam incorporated Chi Kan Engineering Company Limited (智勤工程有限公司) in Macau together with Mr. Lo in July 2004, and he was responsible for managing various construction projects until the dissolution of the company in October 2013. From April 2014 to March 2015, he worked as a site agent of Leighton Contractors (Asia) Ltd., a construction company in Hong Kong, where he was responsible for overseeing the site operations of the company. From May 2015 to May 2019, he worked as a site manager of VESTA Engineering and Consulting Limited, a construction engineering company, and was in charge of several residential construction projects.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam was a director of the following limited liability companies incorporated in Hong Kong prior to their respective dissolution by deregistration/striking off with details as follows:

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Build-Best Construction & Engineering Limited	Provision of carpentry work	Deregistration under section 291AA of the Predecessor Companies Ordinance ¹	5 October 2007
Hei Kee Construction Limited	Provision of carpentry work	Striking off under section 291 of the Predecessor Companies Ordinance ²	17 June 2011
Jackson Engineering (Hong Kong) Limited	Provision of metal/aluminium system formwork services	Deregistration under section 750 of the Companies Ordinance ³	24 November 2017
Karwell Engineering Limited	Provision of metal/aluminium system formwork services	Deregistration under section 750 of the Companies Ordinance ³	28 August 2015
Wai Kee Painting & Construction Company Limited	Provision of painting and decoration services	Striking off under section 291 of the Predecessor Companies Ordinance ²	15 August 2008

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.
2. Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies of Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies of Hong Kong may strike off the name of a company from the register of companies.
3. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam confirmed that the above companies were solvent immediately prior to their respective dissolution and that there was no wrongful act on his part leading to the dissolution of the above companies by deregistration/striking off and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

Mr. Tam did not hold any directorship in any listed company during the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Cheng Wai Hei (鄭偉禧), aged 39, was appointed as the company secretary of our Group on 5 August 2019.

Mr. Cheng obtained his Bachelor's degree of arts in accounting and finance from the Leeds Metropolitan University in May 2005. He obtained his Master's degree of business administration from The Hong Kong Polytechnic University in September 2017. He has been a fellow of the Association of Chartered Certified Accountants since October 2011. He was admitted to Graduateship of The Institute of Chartered Secretaries and Administrators in February 2013 and has been an associate of The Hong Kong Institute of Chartered Secretaries since May 2013.

Mr. Cheng has over 10 years of audit and company secretarial experience. He joined Shu Lun Pan Horwath Hong Kong CPA Limited as a semi-senior in the audit and assurance division in October 2006, and was transferred to BDO Limited due to a corporate merger in May 2009 with his last position as a senior associate in July 2010. He joined Inno-Tech Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8202), as a financial manager in July 2010 and was promoted to a financial controller. He also acted as the company secretary of Inno-Tech Holdings Limited from May 2013 to August 2014 and from July 2015 to November 2015. During the course of his employment with Inno-Tech Holdings Limited, he was responsible for a full spectrum of financial and company secretarial duties of the company. He joined Win Win Way Construction Holdings Ltd. (currently known as CT Vision (International) Holdings Limited), a company listed on the Main Board (stock code: 994), as chief financial officer in November 2015 and also acted as its company secretary since May 2016, where he was responsible for the financial and secretarial matters of the company until July 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng was an independent non-executive director of the following limited liability company incorporated in the Cayman Islands prior to its dissolution by compulsory winding-up with details as follows:

Name of company	Nature of business immediately prior to dissolution	Means of dissolution	Date of dissolution
Sing Pao Media Enterprises Limited	Newspaper publication, provision of advertising and promotion services	Compulsory winding-up	12 August 2015

Mr. Cheng was appointed as an independent non-executive director of the above company in April 2014, when the above company was already in serious financial pressure and its shares had been suspended from trading on the Stock Exchange since April 2005, to the best knowledge of Mr. Cheng. Mr. Cheng resigned as an independent non-executive director of the above company in October 2014. He confirmed that there was no wrongful act on his part leading to the compulsory winding-up of the above company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the compulsory winding-up of the above company.

Mr. Cheng did not hold any directorship in any listed company during the three years immediately preceding the Latest Practicable Date.

COMPLIANCE ADVISER

We have appointed Ample Capital Limited as our compliance adviser of our Company pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

DIRECTORS AND SENIOR MANAGEMENT

The terms of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit Committee

Our Group established the Audit Committee on 17 July 2020 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee comprises three members, namely Ms. Chan Sze Man, Sr. Dr. Leung Tony Ka Tung and Mr. Jiang Jungan. Ms. Chan Sze Man is the chairlady of the Audit Committee.

Remuneration Committee

Our Group established the Remuneration Committee on 17 July 2020 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee comprises three members, namely Sr. Dr. Leung Tony Ka Tung, Ms. Chan Sze Man and Mr. Jiang Jungan. Sr. Dr. Leung Tony Ka Tung is the chairman of the Remuneration Committee.

Nomination Committee

Our Group established the Nomination Committee on 17 July 2020 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board and our board diversity policy (the “**Board Diversity Policy**”) on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee comprises three members, namely Mr. Lo, Sr. Dr. Leung Tony Ka Tung and Ms. Chan Sze Man. Mr. Lo is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

We have adopted the Board Diversity Policy which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. After Listing, the nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing.

REMUNERATION POLICY

The aggregate amounts of compensation (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) which are paid/payable to our Directors for each of FY2018, FY2019 and FY2020 were approximately HK\$1.0 million, HK\$1.1 million and HK\$1.2 million respectively.

Our Company's policy concerning the remuneration of Directors is that the amount of remuneration is determined by the tenure, commitment, responsibilities and performance. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information — D. Disclosure of interests — 4. Remuneration of Directors" in Appendix IV to this prospectus.

For each of FY2018, FY2019 and FY2020, one of the five highest paid individuals was a Director. The aggregate remuneration including salaries, allowances and benefits in kind and contributions to defined contribution plans paid/payable to our Group's remaining four highest paid individuals for each of FY2018, FY2019 and FY2020 were approximately HK\$2.2 million, HK\$3.4 million and HK\$2.9 million respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors. For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 7 and 8 in the Accountant's Report set out in Appendix I to this prospectus.

STAFF RELATIONS

Our Group recognises the importance of a good relationship with our employees. The remuneration payable to our employees includes basic salaries, allowances and discretionary bonuses. We consider that ability to recruit and retain experienced and skilled labour is crucial to the growth and development of our Group. In addition to providing the staff the opportunities to receive regular on-the-job trainings, our Group strives to create a harmonious and caring working environment for its staff.

Our Group has not experienced any significant problems with its employees or disruption to the operations due to labour disputes, nor has our Group experienced any difficulties in the recruitment and retention of staff.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), each of the following persons will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Number of Shares ¹	Approximate percentage of interests in our Company
Magnificent Faith	Beneficial owner	558,750,000 ordinary Shares (L)	55.9%
Mr. Lo ²	Interest in a controlled corporation	558,750,000 ordinary Shares (L)	55.9%
Mrs. Lo ³	Interest of spouse	558,750,000 ordinary Shares (L)	55.9%
CT Vision	Beneficial owner	191,250,000 ordinary Shares (L)	19.1%
Dr. Ho ⁴	Interest in a controlled corporation	191,250,000 ordinary Shares (L)	19.1%

Notes:

1. The letter (L) denotes the person's long position in our Shares.
2. Magnificent Faith is a company incorporated in the BVI and is wholly-owned by Mr. Lo. Mr. Lo is deemed to be interested in all the Shares held by Magnificent Faith for the purpose of the SFO.
3. Mrs. Lo is the spouse of Mr. Lo. Accordingly, Mrs. Lo is deemed to be interested in all the Shares held by Mr. Lo under the SFO.
4. CT Vision is a company incorporated in the BVI and is wholly-owned by Dr. Ho. Dr. Ho is deemed to be interested in all the Shares held by CT Vision for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme:

Authorised share capital: HK\$

<u>10,000,000,000</u>	Shares of par value HK\$0.01 each	<u>100,000,000</u>
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Shares in issue and to be issued, fully paid or credited as fully paid:

10,000	Shares in issue as at the date of this prospectus	100
749,990,000	Shares to be issued pursuant to the Capitalisation Issue (<i>Note</i>)	7,499,900
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
<u>1,000,000,000</u>	Total	<u>10,000,000</u>

Note: Pursuant to the written resolutions of our Shareholders passed on 17 July 2020, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise the amount of HK\$7,499,900 from the amount standing to the credit of the share premium account of our Company and to appropriate such amount as to pay up in full at par 749,990,000 Shares for allotment and issue to the persons whose names appeared on the register of members of our Company at the close of business on the Business Day immediately before the Listing Date, in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in our Company.

Assuming the Over-allotment Option is exercised in full, (i) the number of Shares to be issued pursuant to the Share Offer will be 287,500,000 Shares (with additional 37,500,000 Shares to be allotted and issued under the Over-allotment Option); and (ii) the issued share capital of our Company immediately following completion of the Share Offer will be HK\$10,375,000 divided into 1,037,500,000 Shares.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes into no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the Listing under the Listing Rules is 25% of its share capital in issue from time to time. The 250,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank pari passu in all respects with all other Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 17 July 2020. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar right convertible into Shares as at the Latest Practicable Date.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 17 July 2020, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 749,990,000 Shares credited as fully paid to our Shareholders on the register of members of our Company at the close of business on 16 July 2020 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$7,499,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles and the Memorandum of Association, a summary of which is set out in Appendix III to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers or agreements which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased pursuant to the general mandate granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, scrip dividends or similar arrangements or options granted or to be granted under the Share Option Scheme or any other option scheme of similar arrangement for the time being adopted.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands or the Articles to be held; or
- (c) the date when such mandate is varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions set forth in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of not more than 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant requirements in the Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about Our Company — 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) the date when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited consolidated financial statements of our Group and the notes thereto as of and for the years ended 31 March 2018, 2019 and 2020, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared 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.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Directors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate under the circumstances. Our Group's business and financial performance are subject to substantial risks and uncertainties and the future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth under the section headed "Risk Factors" in this prospectus.

Our financial year begins from 1 April and ends on 31 March. All references to "FY2018", "FY2019" and "FY2020" mean the financial years ended 31 March 2018, 2019 and 2020, respectively.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a Hong Kong-based formwork contractor, mainly engaged in the provision of formwork services, comprising of: (i) conventional formwork which is built on-site by mainly using timber and plywood; and (ii) prefabricated formwork which is built out of prefabricated modules by mainly using aluminium and steel. During the course of providing our formwork services, we may also be requested by our customers, in the form of variation orders, to provide other construction services, including plastering, installing curtain wall and other miscellaneous works. According to the Frost & Sullivan Report, we are one of the leading service providers in the formwork industry in Hong Kong with a market share of approximately 11.0% in terms of revenue for FY2020, and ranked 2nd in the formwork services market in Hong Kong in FY2020. The occurrence of COVID-19 in Hong Kong since January 2020 may deteriorate the property development market and construction industry. For more details, please refer to the paragraphs headed "Summary — Recent development and material adverse change" and "Risk Factors — Risks Relating to Our Business — The recent occurrence of COVID-19 in Hong Kong may significantly and adversely impact our business operation, financial performance and future prospects" in this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law. Our Company is an investment holding company. Our Group is principally engaged in the provision of formwork services and other construction services in Hong Kong.

FINANCIAL INFORMATION

In anticipation of the Listing, we underwent the Reorganisation, as stated in the section headed “History, Reorganisation and Corporate Structure” in this prospectus. Upon completion of the Reorganisation, our Company has become the holding company of the companies now comprising our Group. Immediately prior to and after the Reorganisation, the Listing Business has been held by and conducted through CK Woodworks and the formwork services business division of CK Engineering (the “**Portion of the Listing Business Held by CK Engineering**”) which are ultimately controlled by Mr. Lo. Pursuant to the Reorganisation, the Listing Business is transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the Listing Business. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group. The consolidated statements of financial position of our Group as at 31 March 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising our Group, taken into account the respective dates of incorporation, where applicable.

Please refer to Note 1.3 of the Accountant’s Report set out in Appendix I to this prospectus for details on the manner in which the Portion of the Listing Business Held by CK Engineering was included in the historical financial information of our Group. The management considers that such allocation basis are fair and reasonable.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

Construction market and customer demand for our formwork service in Hong Kong

Our formwork business is principally operated in Hong Kong and our revenue are generally derived from customers of construction industry in Hong Kong. As such, demand for our services is dependent upon the amount of construction activities in Hong Kong which in turn can be significantly impacted by various factors, including material changes in GDP and its growth rate, government policies in land supply and public housing, the investment of property developers, mortgage rate, interest rate, inflation, rate of unemployment, demographic trends and other economic factors and conditions in Hong Kong. We believe the economic growth in Hong Kong and, in particular, the growth in the construction market, will continue to have a significant impact on our results of operation and financial condition. For details, please refer to the section headed “Industry Overview” in this prospectus.

FINANCIAL INFORMATION

Our Group's top five customers accounted for approximately 92.7%, 95.5% and 91.8% of our Group's revenue for FY2018, FY2019 and FY2020, of which approximately 64.9%, 58.2% and 59.8% of our Group's total revenue were attributed to its largest customer during the corresponding period. As our Group does not enter into any long-term written agreements with these major customers, and that the contracts are awarded by tender on a project-by-project basis, there is no assurance that our Group would be able to retain its major customers in the future. Our Group's results of operations, profitability and liquidity would be materially and adversely affected if our Group is unable to secure new projects from its major customers. There is also no assurance that our Group will be able to partly or wholly offset the loss of revenue from the major customers by securing projects of comparable size and terms from other customers.

In addition, as our Group's revenue is concentrated on the hands of these major customers, our Group's business, financial condition and results of operations are particularly susceptible to the financial condition and commercial success of these major customers. If any of the top five customers shall become financially incapable of or unwilling to make payments to our Group in a timely manner, our Group may be unable to recover trade receivables and thereby adversely affecting the cash flows and financial position of our Group.

Cost of revenue and gross profit margin

Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model. Our Group's pricing model depends on our Group's estimation of the costs to be incurred for each project plus a mark-up for the desired profit margin. An accurate estimation of costs is therefore crucial for maintaining company's profitability. Our cost of services mainly comprises the material costs, direct labour cost and subcontracting charges. For details, please refer to paragraph headed "Business — Our pricing strategy" in this prospectus.

Under the contracts entered into between our customers and us, we are generally liable to our customers for the timeliness and quality of our formwork services. In the event that the formwork services performed by our subcontractors are not up to standard, we may incur extra costs to rectify the substandard works and hence our financial performance may be affected adversely. The actual time and costs involved in completing our projects may be adversely affected by various factors that are beyond our control, including shortage and cost escalation in materials and direct labour, difficult geological conditions, inefficiency and delay caused by errors, adverse weather conditions, disputes with our subcontractors, change in design by our customers, worksite accidents and changes in governmental policies. In such an event, our Group will have to bear additional costs for completing and delivering the works. We may also be required to pay our customers liquidated damages for the delay in completion of works.

Also if there is any unexpected significant increase in material cost, labour and subcontracting charges, we might not be able to shift the costs to our customers, and thereby potentially adversely affecting the financial performance of our Group.

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Although our Group's gross profit margin is susceptible to movements in various factors, our annual gross profit margin remained relatively stable ranging from approximately 7.6% in FY2018 to 10.7% in FY2020 during the Track Record Period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our subcontracting charges, material costs, and direct labour costs on our profit before tax during the Track Record Period. Assuming that the percentage of hypothetical fluctuations of each of our cost components are 12.5%, 25.0% and 50.0%, respectively while holding all other factors unchanged. The percentages are determined with reference to the historical fluctuation of our overall cost of revenue during the Track Record Period without taking into account of the corresponding percentage changes in our revenue:

Hypothetical fluctuations Decrease/Increase in profit before tax	Changes in subcontracting charges		
	+/-12.5%	+/-25.0%	+/-50.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For FY2018	-/+78,858	-/+157,716	-/+315,432
For FY2019	-/+43,421	-/+86,842	-/+173,684
For FY2020	-/+38,101	-/+76,203	-/+152,405

Hypothetical fluctuations Decrease/Increase in profit before tax	Changes in material costs		
	+/-12.5%	+/-25.0%	+/-50.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For FY2018	-/+24,540	-/+49,080	-/+98,160
For FY2019	-/+7,643	-/+15,286	-/+30,572
For FY2020	-/+18,873	-/+37,745	-/+75,490

Hypothetical fluctuations Decrease/Increase in profit before tax	Changes in direct labour costs		
	+/-12.5%	+/-25.0%	+/-50.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For FY2018	-/+12,100	-/+24,200	-/+48,400
For FY2019	-/+6,612	-/+13,224	-/+26,448
For FY2020	-/+19,340	-/+36,681	-/+77,362

Prospective investors should note that the above analysis is based on assumptions and for illustration purpose only, and should not be viewed as the actual effect of such hypothetical fluctuations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Note 2 of the Accountant's Report in Appendix I to this prospectus sets out certain significant accounting policies which are important for understanding of the financial conditions and results of operations of our Group. Some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in Note 4 of the Accountant's Report in Appendix I to this prospectus. Actual results may differ from these estimates. Our estimates and judgements are reviewed by our management on an ongoing basis. For further details, please refer to Note 4 of the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Our Group provides formwork services and other construction services under contracts with our customers. Such contracts are entered into before the services begin. Under the terms of the contracts, our Group is contractually required to perform the services at our customers' specified sites that the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs. Revenue from provision of formwork services and other construction services is therefore recognised over time using the output method, i.e. on the basis of measurement of the value of services transferred to the customer to date. The measurement is generally based on surveys of formwork services and other construction services completed by our Group to date as certified by architects, surveyors or other representatives appointed by our customers, and adjusted by the estimated value of work which is yet to be certified. Our management considers that output method would faithfully depict our Group's performance towards satisfactory completion of these performance obligation under HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

Our management estimated the value of work which is completed but yet to be certified based on surveys carried out by internal technicians and revisited with reference to certification subsequently performed by architects, surveyors or other representatives appointed by the customers. Our Group regularly reviews and revises the estimation of construction contract progresses whenever there is any change in circumstances. As at 31 March 2018, 2019 and 2020, the work which is completed but yet to be certified estimated by our management amounted to approximately HK\$47.8 million, HK\$19.9 million and HK\$79.5 million respectively. Our management is not aware of any material differences between the estimated value of work which is completed but yet to be certified and the subsequent certified amount for the associated work completed during the Track Record Period.

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Contract assets

Contract assets represent our Group's right to consideration from customers in exchange for the provision of formwork services and other construction services that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has provided the formwork services and other construction services under the relevant contracts but the works have yet to be certified by architects, surveyors or other representatives appointed by the customers and/or our Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as contract assets is reclassified to trade receivables at the point when our Group's right to payment becomes unconditional other than passage of time.

Adoption of new accounting standards

Effective for annual periods beginning on or after:

- (i) 1 April 2018, HKFRS 9 "Financial Instruments" ("HKFRS 9") superseded HKAS 39 "Financial Instruments", and HKFRS 15 superseded HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" ("HKAS 11"); and
- (ii) 1 April 2019, HKFRS 16 "Leases" ("HKFRS 16") superseded HKAS 17 "Leases".

The impacts of the applications of the above accounting policies are set out as follows:

HKFRS 9

HKFRS 9 requires the recognition of impairment provision of financial assets measured at amortised costs based on expected credit loss. Our Group has consistently adopted HKFRS 9 throughout the Track Record Period. Our Directors consider that the adoption of HKFRS 9 did not have a significant impact on our financial position and performance for the Track Record Period when comparing to the application of HKAS 39.

HKFRS 15

For the recognition of contract revenue and contract costs, our Directors consider that the transition from HKAS 11 to HKFRS 15 did not have a significant impact on revenue recognition as the use of output method under HKFRS 15 in measuring the value of services transferred to the customer to date would not significantly affect the timing and amount of revenue recognised by reference to the stage of completion of contract activity measured by surveys of the work performed to date as a percentage of total contract value, commonly regarded as output method, under HKAS 11. On the other hand, it has resulted in a temporary timing difference in the recognition of contract costs. HKFRS 15 includes contract cost guidance that has resulted in a change in the measurement and recognition of contract costs as compared to the requirements of HKAS 11. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion of the contract activity while costs incurred in satisfying a performance obligation are charged to expenses as incurred under HKFRS 15. It would likely result in uneven margins in individual reporting periods over the life of the contract under HKFRS 15. However, from a longitudinal perspective, the temporary discrepancy between

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recognising contract costs in accordance with HKAS 11 and HKFRS 15 would be eliminated once the construction project is completed and therefore would not have any lasting impact on our Group's future financial position and performance.

HKFRS 15 also requires separate presentation of contract liabilities and contract assets in the consolidated statements of financial position. Should HKAS 11 be applied throughout the Track Record Period, contract liabilities would have been presented as "Amounts due to customers for contract works", and contract assets would have been presented as "Amounts due from customers for contract works" and "Retention receivables" to reflect the use of different terminologies between HKAS 11 and HKFRS 15.

The pro forma information as shown in the table below illustrates the impact of the adoption of HKFRS 15 on (i) the net profit for each of the year during the Track Record Period; and (ii) the impact on the total equity as at 1 April 2017, 31 March 2018, 2019 and 2020, taking into account the related impact affecting the opening equity as at 1 April 2017.

Net profit for the year	Amounts under HKAS 11 <i>HK\$ million</i>	Effects of the adoption of HKFRS 15 <i>HK\$ million</i>	Amounts as reported <i>HK\$ million</i>
FY2018	73.7	(12.1)	61.6
FY2019	36.2	5.4	41.6
FY2020	30.7	8.9	39.6

Total equity	Amounts under HKAS 11 <i>HK\$ million</i>	Effects of the adoption of HKFRS 15 <i>HK\$ million</i>	Amounts as reported <i>HK\$ million</i>
As at 1 April 2017	85.6	(3.3)	82.3
As at 31 March 2018	159.4	(15.4)	144.0
As at 31 March 2019	195.5	(10.0)	185.5
As at 31 March 2020	193.8	(1.1)	192.7

Based on our Directors' assessment as mentioned above, the adoption of HKFRS 15 would have an impact on our Group's financial position and performance during the Track Record Period.

HKFRS 16

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective. The standard is effective for annual periods beginning on or after 1 April 2019 and earlier application is permitted. Our Group has consistently adopted HKFRS 16 throughout the Track Record Period.

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HKFRS 16 requires almost all leases with a lease term over 12 months being recognised on the consolidated statements of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Our Directors consider that as our Group has no material lease arrangements, the adoption of HKFRS 16 did not have a significant impact on our Group's performance (i.e. net profit), financial position (i.e. net assets) and key financial ratios during the Track Record Period when comparing to the application of HKAS 17.

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth the consolidated statements of comprehensive income for the periods indicated, as derived from the Accountant's Report in Appendix I to this prospectus.

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Revenue	1,013,668	525,153	685,853
Cost of revenue	<u>(936,462)</u>	<u>(469,172)</u>	<u>(612,764)</u>
Gross profit	77,206	55,981	73,089
Other income	–	–	50
Listing expenses	–	–	(13,278)
Administrative expenses	<u>(3,497)</u>	<u>(6,589)</u>	<u>(9,506)</u>
Operating profit	<u>73,709</u>	<u>49,392</u>	<u>50,355</u>
Finance income	55	8	15
Finance cost	<u>–</u>	<u>(10)</u>	<u>(39)</u>
Finance income/(cost), net	<u>55</u>	<u>(2)</u>	<u>(24)</u>
Profit before income tax	73,764	49,390	50,331
Income tax expense	<u>(12,138)</u>	<u>(7,833)</u>	<u>(10,730)</u>
Profit and total comprehensive income for the year and attributable to owners of our Company	<u>61,626</u>	<u>41,557</u>	<u>39,601</u>

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Revenue

Our revenue was derived from the provision of our formwork services and other construction services over time using output method. We recognised as our revenue the portion of the contract sum which corresponds to the respective portion of contract work we completed from time to time and subsequently certified by our customers, and adjusted by the estimated value of work which is yet to be certified.

Our total revenue amounted to approximately HK\$1,013.7 million, HK\$525.2 million and HK\$685.9 million for FY2018, FY2019 and FY2020 respectively. The table below sets out the breakdown of the revenue by type of services:

	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Formwork services	978,647	96.5	499,968	95.2	683,151	99.6
– Conventional formwork	452,256	44.6	289,985	55.2	295,085	43.0
– Prefabricated formwork	526,391	51.9	209,983	40.0	388,066	56.6
Other construction services	35,021	3.5	25,185	4.8	2,702	0.4
Total revenue	<u>1,013,668</u>	<u>100</u>	<u>525,153</u>	<u>100</u>	<u>685,853</u>	<u>100</u>

Our revenue was primarily derived from formwork services which contributed approximately HK\$978.6 million, HK\$500.0 million and HK\$683.2 million, or approximately 96.5%, 95.2% and 99.6% of our total revenue for FY2018, FY2019 and FY2020 respectively. We derived approximately HK\$35.0 million, HK\$25.2 million and HK\$2.7 million, or approximately 3.5%, 4.8% and 0.4% of our total revenue from other construction services which include plastering, installing curtain wall and other miscellaneous works for FY2018, FY2019 and FY2020 respectively. In general, we are requested to provide other construction services in form of variation orders additional to the formwork contracts.

The following table sets forth a breakdown of our Group's revenue during the Track Record Period by public and private sector:

	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private	736,248	72.6	352,803	67.2	277,266	40.4
Public	277,420	27.4	172,350	32.8	408,587	59.6
Total revenue	<u>1,013,668</u>	<u>100</u>	<u>525,153</u>	<u>100</u>	<u>685,853</u>	<u>100</u>

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Our revenue derived from private sector amounted to approximately HK\$736.2 million, HK\$352.8 million and HK\$277.3 million for FY2018, FY2019 and FY2020 respectively, representing approximately 72.6%, 67.2% and 40.4% of our total revenue respectively. Our revenue derived from the public sector was approximately HK\$277.4 million, HK\$172.4 million and HK\$408.6 million for FY2018, FY2019 and FY2020 respectively, representing approximately 27.4%, 32.8% and 59.6% of our total revenue respectively. During the Track Record Period, our projects in private sector mainly included residential buildings, hotels and commercial buildings; our projects in public sector mainly included public rental housing, hospitals and schools. For details of our large-scale projects with total contract sum of over HK\$50 million, please refer to the section headed “Business — Our Projects” in this prospectus. For FY2018, FY2019 and FY2020, our top five customers accounted for 92.7%, 95.5% and 91.8% of our revenue, respectively. In particular, we generated approximately 64.9%, 58.2% and 59.8% of our revenue from our largest customer, Hip Hing Group, for FY2018, FY2019 and FY2020, respectively. Please refer to the section headed “Business — Customers — Major customers” of this prospectus for more details. As such, the total contract sum we have undertaken depends on the number, size and timing of projects obtained and then awarded to us by our major customers, meanwhile, our revenue performance during the Track Record Period is also subject to the portion of work we completed and subsequently certified by our customers.

FY2018 compared to FY2019

Our total revenue decreased by approximately 48.2% from approximately HK\$1,013.7 million for FY2018 to HK\$525.2 million for FY2019. Such decrease was mainly attributable to the net effect of: (i) the decrease in revenue from private sector of approximately 52.1% or approximately HK\$383.4 million which was mainly driven by the decreased revenue recognised from Project W027, Project W030, Project W031, Project W032, Project W033, Project W035, Project W037 and Project W038 with Hip Hing Group, Paul Y. Group and another customer, in aggregate from approximately HK\$560.3 million for FY2018 to approximately HK\$199.4 million for FY2019 as the substantial portion of such large-scale projects was completed in FY2018; (ii) our revenue derived from the public sector decreased by approximately 37.9% or approximately HK\$105.1 million mainly as a result of the decreased revenue recognised from Project W019 and Project W026 with Hip Hing Group and Customer B respectively, in aggregate from approximately HK\$189.6 million for FY2018 to approximately HK\$36.7 million for FY2019 as a substantial portion of such projects was completed in FY2018; and (iii) a number of large-scale projects were either delayed or at its preliminary stage, where a substantial amount of formwork services was yet to be performed or be recognised as our revenue during FY2019. In particular, two large-scale projects in public sector scheduled in FY2019, namely Project W046 and Project W047 with Hip Hing Group, with an aggregated contract sum of approximately HK\$389.9 million were considered delayed with only HK\$53.3 million recognised during FY2019. Since certain large-scale projects were still at preliminary stage during FY2019, our Group undertook and commenced the work of a number of smaller scale public projects with contract sum smaller than HK\$50.0 million. For the reasons of the delay of Project W046 and Project W047 and their latest status, please refer to the section headed “Business — Our projects — Backlog — Reasons for the fluctuation in backlog and delay in Project W046 and Project W047” in this prospectus for more details.

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FY2019 compared to FY2020

Our total revenue increased by approximately 30.6% from approximately HK\$525.2 million for FY2019 to HK\$685.9 million for FY2020. Such increase was mainly attributable to the net effect of: (i) the decrease in revenue from private sector of approximately 21.4% or HK\$75.5 million, which was mainly driven by the decreased revenue recognised from Project W030 and Project W031 with Hip Hing Group in aggregate from approximately HK\$154.3 million for FY2019 to approximately HK\$23.4 million for FY2020 as the substantial portion of these large-scale projects was completed; and (ii) our revenue derived from the public sector increased by approximately 137.1% or HK\$236.2 million, which was mainly as a result of the commencement of a number of sizeable public projects, including Project W046 and Project W047. The revenue recognised from which in aggregate increased from approximately HK\$53.3 million during FY2019 to approximately HK\$256.4 million during FY2020.

Cost of revenue

Our cost of revenue mainly comprise of (i) subcontracting charges; (ii) material costs; (iii) direct labour costs; and (iv) other cost of revenue. Our subcontracting charges represented the fee paid to our subcontractors for carrying out formwork works and other construction services undertaken by us. Our materials costs represented the cost for scaffolding equipment, timber, plywood, aluminium mould, steel mould and ironmongery, which were major types of materials required for our formwork and other construction services. Our direct labour costs represented the salaries and other benefits paid to our project team and the relevant cost to our project based formwork workers who were directly employed by our Group mainly for the purpose of undertaking mainly public projects. Our other cost of revenue included costs in relation to transportation costs, repair, maintenance and sundry expenses. Our Directors are of the view that we generally incur a relatively higher upfront cost needs to procure materials during the early stage of a project life span. In general, conventional formworks projects involve relatively higher direct labour costs whereas our prefabricated formwork projects generally incurred more material costs. The following table sets forth below are the components of our Group's cost of revenue during the Track Record Period:

	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges	630,863	347,368	304,810
Material costs	196,318	61,141	150,980
Direct labour costs	96,802	52,894	154,723
Others	12,479	7,769	2,251
	936,462	469,172	612,764

Our cost of revenue amounted to HK\$936.5 million, HK\$469.2 million and HK\$612.8 million for FY2018, FY2019 and FY2020 respectively.

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Our cost of revenue decreased significantly by approximately 49.9% or HK\$467.3 million for FY2019. Such decrease was mainly attributable to: (i) the drop in both subcontracting charges and direct labour costs, which were in line with the aforementioned significant drop in revenue for our projects in both public and private sectors and a slight decrease in actual wage level of formwork workers including carpenters and metal formwork erectors during FY2019; and (ii) the significant decrease in material cost, which was in line with the overall drop in our revenue and the drop in number of prefabricated formwork projects commenced during FY2019.

Our cost of revenue increased by approximately 30.6% or HK\$143.6 million for FY2020. Such increase was mainly attributable to the net effect of: (i) a decrease in subcontracting charges which was in line with the aforementioned drop in revenue from our projects in private sector during FY2020; (ii) an increase in direct labour cost which was in line with the aforementioned increase in revenue from our projects in public sector during FY2020; and (iii) the significant increase in material costs which was mainly due to an increase in sizable projects commenced during FY2020, indicating a relatively higher upfront material cost incurred.

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin of our Group during the Track Record Period:

Gross profit and gross profit margin	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Formwork services	75,485	7.7	53,931	10.8	72,705	10.6
– Conventional formwork	31,673	7.0	38,735	13.4	33,138	11.2
– Prefabricated formwork	43,812	8.3	15,196	7.2	39,567	10.2
Other construction services	1,721	4.9	2,050	8.1	384	14.2
	<u>77,206</u>	7.6	<u>55,981</u>	10.7	<u>73,089</u>	10.7

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The following table sets forth our gross profit and gross profit margin by public and private sector during the Track Record Period:

Gross profit and gross profit margin	FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private	63,550	8.6	39,187	11.1	23,154	8.4
Public	<u>13,656</u>	4.9	<u>16,794</u>	9.7	<u>49,935</u>	12.2
	<u>77,206</u>	7.6	<u>55,981</u>	10.7	<u>73,089</u>	10.7

Our gross profit amounted to approximately HK\$77.2 million, HK\$56.0 million and HK\$73.1 million for FY2018, FY2019 and FY2020 respectively, representing a gross profit margin of approximately 7.6%, 10.7% and 10.7% for the corresponding years.

We generally adopted a cost-plus pricing model in preparing our tender quotation based on our cost estimation. For the key factors which we consider in deciding the appropriate mark-up, please refer to the paragraph headed “Business — Our pricing strategy” in this prospectus. Our project gross profit margin might vary from our pre-determined project mark-up if there are any unexpected changes in our cost estimation and/or any additional variation orders and work requests from our customers. Also, our Group had adopted the output method in recognising revenue, other than the input method, which would likely result in uneven gross profit margins for each of the financial years over the life span of a project due to the indirect relationship between our Group's inputs and the transfer of control of services to our customers. For details of our accounting policy, please refer to the paragraph headed “Critical accounting policies, estimates and judgements” in this section above. As explained above, while a relatively higher upfront cost is incurred during early stage of a project life span, the corresponding revenue, however, might only be recognised after a substantial portion of work was actually completed and certified by our customer at a later stage. As such, for some of our projects with a life span of over a year, our Group might derive a lower or negative gross profit margin during the year these projects commenced and derive a relatively higher project margin during the year these projects are completed. The underlying risk was detailed under the section headed “Risk Factors — Our Group determines our price based on the estimated time and costs required to complete the works, but the actual time and costs incurred may exceed our estimation due to unexpected circumstances, and such discrepancy may adversely affect our business, results of operations and financial performance” of this prospectus. In practice, our Group was able to derive overall positive gross profit and gross profit margin from each of our individual projects completed during the Track Record Period.

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FY2018 compared to FY2019

Our gross profit decreased by approximately 27.5% from approximately HK\$77.2 million for FY2018 to approximately HK\$56.0 million for FY2019; while our gross profit margin increased from approximately 7.6% for FY2018 to 10.7% for FY2019. Our overall gross profit margin was generally improved as a result of (i) the improvement in our gross profit margin from both of our private and public projects as a result of the aforementioned drop in our material costs incurred upon the completion of our existing projects and the drop in prefabricated formwork projects during FY2019; and (ii) a slight decrease in average daily wage charges for formwork workers in the market including, carpenter formwork workers and metal formwork erectors, according to the Frost & Sullivan Report. Our Directors are of the view that our formwork business is labour-intensive, considering that our subcontracting charges and direct labour cost in aggregate accounted for approximately 77.7%, 85.3% and 75.0% of our Group's cost of revenue for FY2018, FY2019 and FY2020 respectively. It is observed that a change in the wage level of formwork workers could cause a direct impact to our gross profit margin. Hence, our Group benefited from the lower actual wage charges during FY2019 since some of our project quotations were set at our cost estimation based on a higher wage level of formwork workers in earlier time.

Our gross profit derived from the private sector decreased by approximately 38.3% from approximately HK\$63.6 million for FY2018 to HK\$39.2 million for FY2019, while the gross profit margin increased from approximately 8.6% for FY2018 to 11.1% for FY2019. Such decrease in gross profit was generally in line with the aforementioned decrease in revenue from the private sector and partially offset by the increase in gross profit margin from approximately 8.6% for FY2018 to 11.1% for FY2019. Such improvement in our gross profit margin was mainly driven by: (i) the aforementioned drop in wages level of carpenter formwork workers (which are more likely engaged in carrying out our conventional formwork projects) during FY2019; and (ii) a large-scale project in Ocean Park, being Project W036 with Customer E, where its gross profit margin increased from approximately 7.9% for FY2018 to 18.5% for FY2019 since a substantial portion of our service was certified and recognised during FY2019. Our Directors consider that a higher margin was charged on this project in view of the irregular building structures, where more labour intensive works were required from our workers.

Our gross profit derived from the public sector increased by approximately 23.0% from approximately HK\$13.7 million for FY2018 to HK\$16.8 million for FY2019, while the gross profit margin increased from 4.9% for FY2018 to 9.7% for FY2019. Despite the aforementioned decrease in revenue in public sector for the year, the increase in gross profit and gross profit margin from public sector was mainly attributable to our new projects commenced during FY2019, including (i) a number of smaller scale projects, which was generally charged with a higher gross profit margin by our Group; and (ii) a large-scale public rental housing project in Queen's Hill, being Project W046 with Hip Hing Group, which benefited from the drop in actual wage charges for mainly metal formwork erectors (which are more engaged in carrying out our prefabricated formwork projects.) as such project eventually commenced in December 2019 as compared to our cost estimation based on the then wage level of formwork workers in earlier time.

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FY2019 compared to FY2020

Our gross profit increased by approximately HK\$17.1 million or 30.6% from approximately HK\$56.0 million for FY2019 to approximately HK\$73.1 million for FY2020. Such increase in gross profit was generally in line with the aforementioned growth in our revenue.

Our gross profit derived from the private sector decreased by approximately 40.9% from approximately HK\$39.2 million for FY2019 to HK\$23.2 million for FY2020, while the gross profit margin decreased from approximately 11.1% for FY2019 to 8.4% for FY2020. Such decrease in gross profit was generally in line with the aforementioned decrease in revenue from the private sector. The drop in our gross profit margin was mainly attributable to the result of the aforementioned uneven gross profit margin in a project lifespan. Higher material cost was incurred during early stage for certain number of projects, such as Project W055, Project W056 and Project W062 with Hip Hing Group and Paul Y. Group respectively that commenced during FY2020, leading to a relatively lower margin in FY2020.

Our gross profit derived from the public sector increased by approximately 197.3% from approximately HK\$16.8 million for FY2019 to HK\$49.9 million for FY2020, while the gross profit margin increased from 9.7% for FY2019 to 12.2% for FY2020. In line with the increase in revenue in public sector for the respective period, the increase in gross profit and gross profit margin from public sector was mainly attributable to: (i) a number of smaller scale projects, which were generally charged with a higher gross profit margin by our Group; and (ii) a large-scale public rental housing project in Queen's Hill and a vehicle examination centre in Tsing Yi, being Project W046 and Project W047 with Hip Hing Group.

Administrative expenses

Our administrative expenses mainly consist of (i) staff costs; (ii) depreciation expenses; (iii) legal and professional fee; and (iv) entertainment expenses. The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and benefits			
(including Director's remuneration)	1,695	4,215	4,471
Depreciation	707	870	930
Legal and professional fee	7	606	1,109
Auditor's remuneration	95	402	97
Entertainment	511	92	967
Donation	–	1	1,200
Others	482	403	732
	3,497	6,589	9,506
	3,497	6,589	9,506

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Our administrative expenses amounted to approximately HK\$3.5 million, HK\$6.6 million and HK\$9.5 million for FY2018, FY2019 and FY2020, respectively. Our administrative expenses increased significantly by approximately HK\$3.1 million in FY2019 mainly due to: (i) an increase in amount of our staff and directors' salaries and benefits including an increase in bonus paid to our staff in reward for their past performance and the recruitment of additional finance and administration staff of approximately HK\$2.5 million; and (ii) an increase in legal and professional fee in relation to certain accounting related advisory services provided to the management. Our administrative expenses increased by approximately HK\$2.9 million in FY2020 mainly due to (i) the increase in legal and professional fee as mentioned above; and (ii) the increase in donation of approximately HK\$1.2 million.

Finance income/(costs), net

Our net finance income/(costs) mainly comprises (i) bank interest income; and (ii) finance cost on lease liabilities and bank overdrafts. The bank interest income mainly represents interest income derived from bank deposits. Our net finance income/(costs) amounted to approximately HK\$55,000, HK\$(2,000) and HK\$(24,000) for FY2018, FY2019 and FY2020 respectively, which remained immaterial to our Group.

Income tax expenses

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\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the companies in our Group with estimated assessable profits for our annual reporting periods ending on or after 1 April 2018, including FY2019 and FY2020.

Our effective tax rate was approximately 16.5%, 15.9% and 21.3% for FY2018, FY2019 and FY2020 respectively. Our effective tax rate for FY2020 was significantly higher than the profits tax rate in Hong Kong mainly due to the recognition of listing expenses of approximately HK\$13.3 million which was not tax deductible.

Profit and total comprehensive income for the year and net profit margin

Our profit and total comprehensive income for the year amounted to approximately HK\$61.6 million, HK\$41.6 million and HK\$39.6 million for FY2018, FY2019 and FY2020, respectively, representing a net profit margin of approximately 6.1%, 7.9% and 5.8%, respectively. The overall fluctuation in our profit during the Track Record Period was generally in line with the aforementioned overall fluctuation in our revenue and gross profit for the respective years. The overall fluctuation in our net profit margin during the Track Record Period was mainly attributable to the aforementioned overall fluctuation in our gross profit margin and administrative expenses, and the effect of non-recurring listing expenses.

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LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows during the Track Record Period:

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Operating cash flows before movements in working capital	74,416	50,262	51,386
Change in working capital	(38,765)	40,120	16,698
Income tax paid	(8,597)	(10,072)	(15,683)
Net cash generated from operating activities	27,054	80,310	52,401
Net cash generated from/(used in) investing activities	55	(184)	(688)
Net cash generated from/(used in) financing activities	41,767	(126,210)	(44,165)
Net increase/(decrease) in cash and cash equivalents	68,876	(46,084)	7,548
Cash and cash equivalents at the beginning of the year	2,970	71,846	25,762
Cash and cash equivalents at the end of the year	71,846	25,762	33,310

Net cash generated from operating activities

Our net cash from operating activities was approximately HK\$27.1 million for FY2018, while our profit before tax was approximately HK\$73.8 million. The difference was mainly attributable to the net effect of (i) a decrease in trade receivables of approximately HK\$19.0 million; (ii) an increase in contract assets of approximately HK\$38.6 million; (iii) a decrease in trade payables of approximately HK\$16.1 million; and (iv) a decrease in accrual and other payables of approximately HK\$3.0 million.

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Our net cash from operating activities was approximately HK\$80.3 million for FY2019, while our profit before tax was approximately HK\$49.4 million. The difference was mainly attributable to the net effect of (i) an increase in trade receivables of approximately HK\$5.8 million; (ii) a decrease in contract assets of approximately HK\$58.9 million; (iii) a decrease in trade payables of approximately HK\$15.0 million; and (iv) an increase in accrual and other payables of approximately HK\$2.1 million.

Our net cash from operating activities was approximately HK\$52.4 million for FY2020, while our profit before tax was approximately HK\$50.3 million. The difference was mainly attributable to the net effect of (i) a decrease in trade receivables of approximately HK\$54.7 million; (ii) an increase in contract assets of approximately HK\$77.3 million; (iii) an increase in trade payables of approximately HK\$32.6 million; and (iv) an increase in accruals and other payables of approximately HK\$7.4 million.

As discussed under the paragraphs headed “Trade receivables” and “Trade payables” in this section below, while our turnover days of trade payables was approximately 11.1 days, 10.1 days and 13.0 days for FY2018, FY2019 and FY2020, respectively, we had recorded turnover days of trade receivables of approximately 31.3 days, 55.8 days and 29.8 days for FY2018, FY2019 and FY2020, respectively. However, based on our accounting policies, completed works which are yet to be certified by our customers and retention receivables (i.e. the amounts certified by our customers but withheld to secure the due performance of the contracts for a period of generally ranged from six to 24 months after project completion and defects liability period) were recognised as contract assets. The subsequent recognition and settlement of these contract assets mainly depends on (i) the timing of certification of our works by our customers, which may vary in view of the different customers’ certification process and approval procedures for payment certificates; as well as (ii) the credit period granted by us was generally from 14 to 60 days after the date of the issuance of payment certificates. For details, please refer to the paragraph headed “Analysis of selected consolidated statements of financial position items — Contract assets” in this section below. As at 31 March 2018, 2019 and 2020, our contract assets amounted to approximately HK\$166.4 million, HK\$107.5 million and HK\$184.8 million, respectively. In order to better reflect the liquidity pressure of our operation, after taking into account of our contract assets when calculating trade receivables turnover days, our trade receivables and contract assets turnover days would then become approximately 84.2 days, 150.9 days and 107.8 days for FY2018, FY2019 and FY2020 respectively. The timing difference between our trade payables turnover days and trade receivables and contract assets turnover days were approximately 73.1 days, 140.8 days and 94.5 days respectively which represented the cash conversion cycle of our Group and indicated a prolonged cash collection process and a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors with the payment collection from our customers.

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In order to finance the upfront costs and working capital needs along with our business operation, our Directors had established an effective and prudent liquidity management strategy to cater with the liquidity pressure, as depicted under the paragraph headed “Business — Liquidity risk management” of this prospectus.

Net cash generated from/(used in) investing activities

Net cash generated from or (used in) investing activities mainly consisted of payments for property and equipment, interest received and interest paid, which remained minimal during the Track Record Period.

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Payments for property and equipment	–	(192)	(703)
Interest received	55	8	15
Net cash generated from/(used in) investing activities	55	(184)	(688)

Net cash generated from/(used in) financing activities

Net cash generated from financing activities for FY2018 was approximately HK\$41.8 million, primarily due to the net effect of: (i) net advance from a director of approximately HK\$41.2 million; (ii) net advance from related companies of approximately HK\$1.1 million; and (iii) payment of lease liabilities of approximately HK\$0.6 million.

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Net cash used in financing activities for FY2019 was approximately HK\$126.2 million, primarily due to the net effect of: (i) net repayment to a director of approximately HK\$114.1 million; (ii) net repayment to related companies of approximately HK\$12.4 million; and (iii) payment of lease liabilities of approximately HK\$0.7 million.

Net cash used in financing activities for FY2020 was approximately HK\$44.2 million, primarily due to the net effect of: (i) net repayment to a director of approximately HK\$40.3 million; (ii) repayment to related companies of approximately HK\$10.3 million; (iii) proceeds from share subscription of ordinary shares of our Company of approximately HK\$10.0 million; and (iv) payment of listing expenses of approximately HK\$2.9 million.

In view of our Group's difficulties in obtaining bank borrowing without placing collaterals as explained under the section headed "Business — Risk management and internal control — Liquidity risk management" in this prospectus, our Group had relied on cash inflow generated from our financing activities by way of maintaining a high level of net amount due to a director and related companies to bridge the liquidity mismatch, resulting in a significantly higher gearing ratio in FY2018. Following the relatively low outstanding contract sum on hand as at 31 March 2018 and the corresponding decrease in our revenue for FY2019, our Group settled the substantial net amount due to a director and related companies during FY2019 from approximately HK\$133.7 million as at 31 March 2018 to HK\$7.2 million as at 31 March 2019 with our internally generated resources, resulting in our cash level dropping significantly from approximately HK\$71.8 million as at 31 March 2018 to approximately HK\$25.8 million as at 31 March 2019 and a significant drop in gearing level as at 31 March 2019. Following our continuous effort to reduce reliance on our Controlling Shareholders by settling the net amount due to a director and related companies during FY2020 with our internally generated resources and the capital injection from a pre-IPO investor of approximately HK\$10.0 million during FY2020, our cash level remains low at approximately HK\$33.3 million.

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NET CURRENT ASSETS

	As at 31 March			As at 31 May
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Trade receivables	77,330	83,101	28,416	57,794
Contract assets	166,391	107,523	184,805	148,030
Prepayments, deposits and other receivables	76	176	3,709	4,058
Amount due from a director	–	3,196	–	–
Cash and cash equivalents	71,846	25,762	33,310	41,806
	315,643	219,758	250,240	251,688
Current liabilities				
Trade payables	20,453	5,458	38,052	21,130
Accruals and other payables	7,003	9,083	16,527	16,983
Amounts due to related companies	22,714	10,301	–	–
Amount due to a director	110,958	52	–	–
Lease liabilities	348	566	540	541
Current income tax liabilities	10,851	8,612	3,659	6,816
	172,327	34,072	58,778	45,470
Net current assets	143,316	185,686	191,462	206,218

Our Group had net current assets of approximately HK\$143.3 million, HK\$185.7 million, HK\$191.5 million and HK\$206.2 million as at 31 March 2018, 2019 and 2020 and 31 May 2020 respectively.

Our net current assets increased by approximately HK\$42.4 million from approximately HK\$143.3 million as at 31 March 2018 to approximately HK\$185.7 million as at 31 March 2019, which was mainly attributable to the profit and total comprehensive income for the year and attributable to owners of our Group for FY2019 of approximately HK\$41.6 million.

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Our net current assets increased by approximately HK\$5.8 million from approximately HK\$185.7 million as at 31 March 2019 to approximately HK\$191.5 million as at 31 March 2020, which was mainly attributed to the net effect of: (i) the profit and total comprehensive income for the year and attributable to owners of our Group for FY2020 of approximately HK\$39.6 million; (ii) proceeds from share subscription of ordinary shares of our Company of approximately HK\$11.0 million; and (iii) dividend declared of approximately HK\$43.2 million.

Our net current assets increased by approximately HK\$14.7 million from approximately HK\$191.5 million as at 31 March 2020 to approximately HK\$206.2 million as at 31 May 2020, which was mainly attributable to the profit and total comprehensive income for the period and attributable to owners of our Group for the two months ended 31 May 2020 of approximately HK\$14.8 million.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property and equipment

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-to-use of property	412	1,052	925
Leasehold improvement	235	134	780
Furniture, fixture and equipment	34	47	23
Motor vehicles under hire purchase arrangement	–	460	293
	681	1,693	2,021
Total	681	1,693	2,021

Our property and equipment mainly represented (i) right-to-use of property; (ii) leasehold improvement; (iii) furniture, fixture and equipment; and (iv) motor vehicles under hire purchase arrangement, which in aggregate amounted to approximately HK\$0.7 million, HK\$1.7 million and HK\$2.0 million as at 31 March 2018, 2019 and 2020 respectively.

Trade receivables

Our trade receivables amounted to approximately HK\$77.3 million, HK\$83.1 million and HK\$28.4 million as at 31 March 2018, 2019 and 2020 respectively.

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As at 31 March 2018, 2019 and 2020, the ageing analysis of the third-party trade receivables, based on the date of certification, as at each of the reporting date is set forth below.

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	63,722	52,970	27,795
31-90 days	13,608	18,378	–
91-180 days	–	11,753	–
Over 365 days	–	–	621
	–	–	621
Total	77,330	83,101	28,416

Despite a significant drop in our revenue during FY2019, our trade receivables increased from approximately HK\$77.3 million as at 31 March 2018 to HK\$83.1 million as at 31 March 2019. Such increase was mainly driven by our trade receivables due over 90 days of approximately HK\$11.8 million which was yet to be settled as at 31 March 2019. The respective trade receivables was settled during FY2020. Our trade receivables decreased to approximately HK\$28.4 million as at 31 March 2020 which was mainly as a result of an increase in our contract assets which was the works completed but yet to be certified and not recognised as our trade receivables as at 31 March 2020. As at 31 March 2020, our trade receivables due over 365 days were mainly attributable to Project W044, and such amount was fully settled subsequently in May 2020.

As at the Latest Practicable Date, all of the trade receivable as at 31 March 2020 was subsequently settled.

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Our Group 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 have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Our Group has performed historical analysis based on the background and reputation of the customers, historical settlement records, past experience and adjusted for the factors that are specific to the customers and general economic conditions.

Our management assessed that the expected credit loss rate and loss allowance for these balances to be insignificant during the Track Record Period.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2018	FY2019	FY2020
Trade receivables turnover days ⁽¹⁾	31.3 days	55.8 days	29.8 days
Trade receivables and contract assets turnover days ⁽²⁾	84.2 days	150.9 days	107.8 days

Notes:

- (1) Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue during the year, then multiplied by the number of days of the year (i.e. 365 or 366 days for a full year).
- (2) Trade receivables and contract assets turnover days is calculated based on the average of the beginning and ending balance of the total of trade receivables and contract assets divided by revenue during the year, then multiplied by the number of days of the year (i.e. 365 or 366 days for a full year).

Our credit terms granted to third-party customers other than those retention receivables generally range from 14 days to 60 days upon issuance of interim certificate. Our trade receivables turnover days increased from approximately from 31.3 days for FY2018 to 55.8 days for FY2019. Our trade receivables turnover days decreased to approximately 29.8 days for FY2020. The significant increase in our trade receivables turnover days during FY2019 was mainly due to significant drop in our revenue for FY2019 and our trade receivables due over 90 days of approximately HK\$11.8 million was yet to be settled as at 31 March 2019. Upon the aforementioned drop in trade receivables, the trade receivables turnover days as at 31 March 2020 also dropped to approximately 29.8 days. Our Directors consider that the trade receivables turnover days during the Track Record Period were within the credit period granted to our major customers.

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In order to better reflect the liquidity pressure of our operation, after taking into account of our contract assets when calculating trade receivables turnover days, our trade receivables and contract assets turnover days would then become approximately 84.2 days, 150.9 days and 107.8 days for FY2018, FY2019 and FY2020 respectively. The timing difference between our trade payables turnover days and trade receivables and contract assets turnover days were approximately 73.1 days, 140.8 days and 94.5 days respectively which represented the cash conversion cycle of our Group and indicated a prolonged cash collection process and a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors with the payment collection from our customers.

The significant increase in our trade receivables and contract assets turnover days during FY2019 was mainly due to the net effect of (i) the significant drop in our revenue for FY2019; (ii) our trade receivables due over 90 days of approximately HK\$11.8 million was yet to be settled as at 31 March 2019; and (iii) the decrease in contract assets from approximately HK\$166.4 million as at 31 March 2018 to approximately HK\$107.5 million as at 31 March 2019. Our trade receivables and contract assets turnover days decreased to approximately 107.8 days for FY2020 mainly due to the aforementioned increase in revenue for FY2020.

Contract assets

Our contract assets represent our rights to considerations from customers for the provision of formwork services and other construction services, which arise when: (i) our Group completed the relevant services under such contracts but the works are yet to be certified by architects, surveyors or other representatives appointed by our customers; and (ii) our customers withhold certain certified amounts payable to our Group 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. Our Group does not hold any collateral as security. Any amount previously recognised as contract assets is reclassified as trade receivables at the point at which it is certified by architects, surveyors or other representatives appointed by our customers and becomes unconditional. Our customers will generally retain up to 10% of each payment and up to a maximum limit of 5% of the total contract sum as retention money for a project.

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The following table sets out the breakdown of our contract assets as at each reporting date:

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets			
Uncertified work in progress	47,808	19,879	79,469
Retention receivables	118,583	87,644	105,336
Total	166,391	107,523	184,805

Our contract assets decreased from approximately HK\$166.4 million as at 31 March 2018 to HK\$107.5 million as at 31 March 2019. Such drop was mainly due to the combined effect of (i) the aforementioned significant decrease in revenue for FY2019 leading to the decrease in uncertified work in progress from HK\$47.8 million as at 31 March 2018 to HK\$19.9 million as at 31 March 2019; and (ii) the release of retention money for several projects completed in FY2018, resulting in the decrease of retention receivables from HK\$118.6 million as at 31 March 2018 to HK\$87.6 million as at 31 March 2019.

Our contract assets increased from approximately HK\$107.5 million as at 31 March 2019 to HK\$184.8 million as at 31 March 2020. Such increase was mainly attributable to: (i) an increase in retention receivables of approximately HK\$17.7 million to HK\$105.3 million as at 31 March 2020 as a result of the increase in retention money of projects with significant revenue contribution for FY2019, including Project W055, Project W058 and Project W062; and (ii) an increase in works completed but yet to be certified by our customers, which led to an increase in uncertified work in progress from approximately HK\$19.9 million as at 31 March 2019 to HK\$79.5 million as at 31 March 2020 mainly arising from Project W062 and Project W065.

The following table sets out the retention receivables expected to be settled, as at each reporting date:

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	45,085	32,992	31,930
After one year	73,498	54,652	73,406
	118,583	87,644	105,336

Approximately 95.6% (which amounted to approximately HK\$76.0 million) of our uncertified work in progress of approximately HK\$79.5 million as at 31 March 2020 was transferred to trade receivables and settled as at the Latest Practicable Date.

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Approximately 12.6% (which amounted to approximately HK\$13.3 million) of our retention receivables of approximately HK\$105.3 million as at 31 March 2020 has been transferred to trade receivables and settled as at the Latest Practicable Date.

Trade payables

Our trade payables amounted to approximately HK\$20.5 million, HK\$5.5 million and HK\$38.1 million as at 31 March 2018, 2019 and 2020 respectively. Trade payables at the end of each reporting period comprise amounts outstanding to subcontractors and suppliers. The average credit period taken for our trade payables generally ranged from 15 days to 60 days.

As at 31 March 2018, 2019 and 2020, the ageing analysis of the trade payables, based on the invoice date as at each of the reporting date is set forth below.

	As at 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Up to 30 days	10,837	1,651	25,961
31-90 days	7,417	3,706	7,496
91-180 days	2,061	5	3,347
Over 180 days	138	96	1,248
	20,453	5,458	38,052
Total	20,453	5,458	38,052

Our trade payables decreased from approximately HK\$20.5 million as at 31 March 2018 to HK\$5.5 million as at 31 March 2019 which was in line with the significant drop in cost of revenue during FY2019.

Upon the commencement of some of our sizeable projects, our trade payables increased significantly to HK\$38.1 million as at 31 March 2020, which was in line with the increase in our material costs during FY2020.

Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2018	FY2019	FY2020
Trade payables turnover days	11.1 days	10.1 days	13.0 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of revenue during the year, then multiplied by the number of days of the year (i.e. 365 or 366 days for a full year).

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Our trade payables turnover days decreased from approximately 11.1 days for FY2018 to approximately 10.1 days for FY2019 and increased to approximately 13.0 days for FY2020. Our Group maintained timely settlement of trade payables with major suppliers and subcontractors during FY2018, FY2019 and FY2020. Our trade payables turnover days increased from approximately 10.1 days for FY2019 to approximately 13.0 days for FY2020 mainly due to trade payables recorded for Project W047, Project W062 and Project W065 of approximately HK\$6.6 million, HK\$5.5 million and HK\$5.4 million respectively, mainly arising from cost incurred close to period end of FY2020.

As at the Latest Practicable Date, approximately 81.6% (which amounted to approximately HK\$31.1 million) of the trade payables of approximately HK\$38.1 million as at 31 March 2020 was subsequently settled.

Accruals and other payables

	As at 31 March		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals for listing expenses	–	–	3,451
Accruals for staff salaries and other benefits	6,906	8,986	12,963
Other accruals and other payables	97	1,097	330
	<u>7,003</u>	<u>10,083</u>	<u>16,744</u>

During the Track Record Period, our accruals and other payables mainly consist of (i) accrued staff salaries and other benefits; (ii) other accruals and other payables; and (iii) accruals for listing expenses. Our accruals and other payables amounted to approximately HK\$7.0 million, HK\$10.1 million and HK\$16.7 million as at 31 March 2018, 2019 and 2020, respectively. The increase in our accruals and other payables from HK\$7.0 million as at 31 March 2018 to HK\$10.1 million as at 31 March 2019 was mainly due to the increase in accruals for staff salaries and other benefits during the year end of FY2019 upon the aforementioned increase in salaries and benefits. The increase in our accruals and other payables as at 31 March 2020 was mainly attributable to (i) the increasing amount of accruals for staff salaries and benefits and the wage of formwork works, mainly arising from Project W058; and (ii) the listing expenses we incurred during FY2020.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	FY/As at 31 March 2018	FY/As at 31 March 2019	FY/As at 31 March 2020
Gross profit margin ¹	7.6%	10.7%	10.7%
Net profit margin ²	6.1%	7.9%	5.8%
Current ratio ³	1.8 times	6.4 times	4.3 times
Gearing ratio ⁴	93.1%	4.6%	0.6%
Debt to equity ratio ⁵	43.2%	N/A	N/A
Interest coverage ratio ⁶	N/A	N/A	2,397.7
Return on total assets ⁷	19.5%	18.8%	15.7%
Return on equity ⁸	42.8%	22.4%	20.6%

Notes:

1. Gross profit margin is calculated based on gross profit divided by the total revenue for the respective year.
2. Net profit margin is calculated based on profit for the year attributable to the owners of our Company divided by the total revenue for the respective year.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
4. Gearing ratio is calculated based on the payables incurred not in the ordinary course of business (being amounts due to related companies, amount due from/to a director and lease liabilities) divided by total equity as at the respective year end and multiplied by 100%.
5. Debt to equity ratio is calculated based on the net debt (being amounts due to related companies, amount due to a director and lease liabilities) net of cash and cash equivalents divided by the total equity as at the respective year end and multiplied by 100%.
6. Interest coverage ratio is calculated based on the profit before interest expense for bank borrowings and income tax divided by the interest expenses for bank borrowings for the respective year.
7. Return on total assets is calculated based on profit for the year attributable to owners of our Company divided by the total assets as at the respective year end and multiplied by 100%.
8. Return on equity is calculated based on profit for the year attributable to owners of our Company divided by the equity attributable to owners of our Company as at the respective year end and multiplied by 100%.

Please refer to the year to year comparison of result in paragraphs headed “Revenue”, “Gross profit and gross profit margin” and “Profit for the year and net profit margin” under the subsection headed “Discussion and analysis of financial performance and result of operations of our Group” in this section for a discussion on factors affecting revenue growth, gross profit growth, net profit growth, gross profit margin and net profit margin during respective years.

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Current ratio

Our Group's current ratio was approximately 1.8 times, 6.4 times and 4.3 times as at 31 March 2018, 2019 and 2020 respectively. Our current ratio increased significantly to 6.4 times as at 31 March 2019 which was mainly due to the percentage decrease in our current liabilities outweighing the percentage decrease in our current assets upon the settlement of a significant portion of the amount due to a director and related parties by our internal resources during FY2019. Our current ratio decreased to 4.3 times as at 31 March 2020 mainly due to the percentage increase in current liabilities outweighing the percentage increase in our current assets upon (i) the dividend declared; (ii) settlement of the net amount due to a director and related companies by our internal resources; (iii) the capital injection from the Pre-IPO Investment; and (iv) the increase in our accruals and other payables due to accruals for staff salaries and other benefits.

Gearing ratio

Our gearing ratio was approximately 93.1%, 4.6% and 0.6% as at 31 March 2018, 2019 and 2020 respectively. Our gearing ratio decreased to 4.6% as at 31 March 2019 because of the net effect of the increase in our total equity as a result of our net profit for the year and the significant drop in our total liabilities upon settlement of a significant portion of the amount due to a director and related parties. Our gearing ratio decreased to 0.6% as at 31 March 2020 mainly due to repayment of amount due to related companies of approximately HK\$10.3 million during FY2020, outweighing the percentage increase in our equity derived from the net profit during the year.

Debt to equity ratio

Our debt to equity ratio was approximately 43.2%, N/A and N/A as at 31 March 2018, 2019 and 2020 respectively. Our debt to equity ratio decreased from approximately 43.2% as at 31 March 2018 to net cash position as at 31 March 2019 and 31 March 2020 because of the net effect of the increase in our total equity as a result of our net profit for the year and the significant drop in our total liabilities upon the settlement of a significant portion of the amount due to a director and related companies, where our bank balances and cash level exceeded our total debt. Therefore, no debt to equity ratio is formulated for our Group as at 31 March 2019 and 2020.

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Interest coverage ratio

During FY2018 and FY2019, we did not obtain any interest bearing bank borrowings. Therefore, no interest coverage ratio is formulated for our Group. Our interest coverage ratio was approximately 2,397.7 for FY2020 as our Group incurred finance costs for bank overdrafts during FY2020.

Return on total assets

Our return on total assets was approximately 19.5%, 18.8% and 15.7% for FY2018, FY2019 and FY2020 respectively. Our return on total assets decreased to approximately 18.8% for FY2019, which was mainly due to the percentage decrease in our net profit for FY2019, outweighing the percentage drop in our total assets as a result of the settlement of amount due to a director by cash and the drop in our net profit for FY2019. Our return on total assets further decreased to approximately 15.7% for FY2020, which was mainly due to the non-recurring listing expenses incurred during FY2020.

Return on equity

Our return on equity was approximately 42.8%, 22.4% and 20.6% for FY2018, FY2019 and FY2020 respectively. The decrease in our return on equity for FY2019 was mainly driven by the percentage increase in total equity outweighing the percentage increase in our net profit for the year. The drop in our return on equity for FY2019 was mainly attributable to the significant percentage drop in net profit for the year, along with the increase in total equity as a result of the net profit for FY2019. Our return on equity further decreased to approximately 20.6% mainly due to the non-recurring listing expenses incurred during FY2020.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at 31 March 2018, 2019 and 2020 and 31 May 2020, being the latest practicable date for this indebtedness statement. Save as disclosed below and apart from intra-group liabilities, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants or other material contingent liabilities as at 31 May 2020.

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 May 2020 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

FINANCIAL INFORMATION

Bank borrowings and overdraft facilities

As at 31 March 2018, 2019 and 2020 and 31 May 2020, our Group did not have any outstanding bank borrowings. Our Group mainly financed through our internally generated funds, direct financial assistance from our Controlling Shareholder in the form of amount due to a director, amounts due to related companies and bank overdraft facilities secured by Mr. Lo's personal guarantee and personal collateral. Please refer to the section headed "Business — Risk management and internal control — Liquidity risk management" of this prospectus for more details. As at 31 May 2020, banking overdraft facilities were granted to our Group amounting to approximately HK\$60.0 million. Such overdraft was secured by: (i) a corresponding amount of cash deposits required to be placed by Mr. Lo from his personal wealth; and (ii) the unlimited personal guarantee by Mr. Lo. Subsequent to 31 May 2020 and up to the Latest Practicable Date, our unutilised credit facilities amounted to approximately HK\$60.0 million, which were committed and without uncommon restriction on utilisation. The said collateral and personal guarantee will be fully released, discharged or replaced by corporate guarantee or other securities provided by our Group upon Listing.

Amount due to/from a director and related companies

The following table sets out our amounts due to our director and related companies as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i>
				<i>HK\$'000</i>
Amount due from a director				
– Mr. Lo	–	3,196	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amount due to a director				
– Mr. Lo	110,958	52	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts due to related companies				
– CK Formwork	16,921	6,921	–	–
– CK Engineering	5,793	3,380	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>22,714</u>	<u>10,301</u>	<u>–</u>	<u>–</u>

FINANCIAL INFORMATION

Our related companies included CK Formwork and CK Engineering in which our executive Director Mr. Lo has control of or beneficial interest in. The amounts due to/from a director and related companies are non-trade in nature, unsecured, interest-free and repayable on demand. In view of our Group's difficulties in obtaining bank borrowing without placing collaterals, our Group had relied on cash inflow generated from our financing activities by way of maintaining a high level of net amount due to a director and related companies to bridge the liquidity mismatch, detailed under the paragraph headed "Net cash generated from/(used in) financing activities" in this section. All of the amounts due to/from a director and related companies of our Group were fully settled as at 31 May 2020. Our Directors confirm that all amounts due to/from a director and related companies of non-trade nature will be fully settled before the Listing.

Lease liabilities

The following table sets out our lease liabilities in respect of our leased properties and motor vehicles as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	31 May
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	348	566	540	541
Non-current	64	851	675	585
Total	412	1,417	1,215	1,126

During the Track Record Period and up to the Latest Practicable Date, we lease various properties for the use of office and motor vehicles. We have the option to purchase the motor vehicles under hire purchase arrangement. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 31 May 2020, the lease liabilities was approximately HK\$1.1 million, of which approximately HK\$0.5 million would be due within one year and approximately HK\$0.6 million would be due after one year.

Contingent liabilities

As at 31 March 2018, 2019 and 2020 and 31 May 2020, our Group did not have any significant contingent liabilities. Our Directors believe any potential compensation arising from the ongoing litigations will be covered by relevant insurance coverage and these litigations will not have a material adverse effect on the consolidated financial statements of our Group.

FINANCIAL INFORMATION

Capital commitment

We had no material capital commitment as at 31 March 2018, 2019 and 2020 and 31 May 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for the contractual commitment set forth above, our Directors confirm that our Group has not entered into any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS

Our Group is exposed to certain financial risks including cash flow and fair value interest rate risk, credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to the section headed “Business — Risk management and internal control” and Note 3 in the Accountant’s Report in Appendix I to this prospectus.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation on 16 April 2018 and our Group in FY2018, FY2019 and FY2020 apart from the dividend of HK\$43.2 million declared by our Company in September 2019 to Mr. Lo, the then sole shareholder of our Company. The full amount of the dividend was settled by offsetting with the amount due from Mr. Lo on 12 September 2019. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion in the interest of our Shareholders as a whole.

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to shareholders’ approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements and other factors that our Directors may consider relevant. In any event, any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future. Dividends paid in prior years/periods shall not be indicative of future dividend payment.

FINANCIAL INFORMATION

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, available banking facility, the assets that are available to pledge for obtaining further bank facilities and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; and (iii) has not had any material defaults in repayment of trade and non-trade payables and bank borrowings, and/or breaches of material covenants under its borrowings.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. Please refer to Note 22 of the Accountant's Report in Appendix I to this prospectus for more information.

NO MATERIAL ADVERSE CHANGE

Save for the potential impact of COVID-19 as disclosed in the paragraph headed "Risk Factors — Risks Relating to Our Business — The recent occurrence of COVID-19 in Hong Kong may significantly and adversely impact our business operation, financial performance and future prospects" in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2020, being the date of the last audited financial statement as set out in Appendix I to this prospectus, up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 April 2018 and is an investment holding company. For our reserves available for distribution to Shareholders as at 31 March 2020, please refer to Note 23 to the Accountant's Report in Appendix I to this prospectus for more information.

FINANCIAL INFORMATION

LISTING EXPENSES

Based on the Offer Price of HK\$0.58 (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised at all), the underwriting fees, commissions, together with the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Share Offer, which are payable by us are estimated to amount in aggregate to be approximately HK\$38.0 million. For FY2018, FY2019 and FY2020, our listing expenses charged to our consolidated statements of comprehensive income were nil, nil and approximately HK\$13.3 million, respectively. We expect to charge the estimated remaining listing expenses of approximately HK\$9.9 million to our consolidated statement of comprehensive income subsequent to FY2020 and to deduct from equity of approximately HK\$14.8 million following the Listing. The total estimated expenses in relation to the Listing of approximately HK\$38.0 million represent approximately 26.2% of our estimated gross proceeds from the Share Offer, assuming an Offer Price of HK\$0.58 per Share, being the mid-point of the Offer Price range. The listing expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ. The aggregate underwriting commission for the Share Offer is expected to be determined following book closing after publication of this prospectus, and is subject to a number of factors, including, amongst others, the final Offer Price, the quality of investors brought in by the relevant syndicate members and the subscription level of the Share Offer.

REASONS FOR LISTING

Our Company is seeking the Listing in order to (i) satisfy our genuine funding need; (ii) enhance our corporate profile and market reputation; and (iii) enable us to raise funds more easily for future business development and provide liquidity in the trading of Shares.

(i) Satisfy our genuine funding need for maintaining our existing business operations as well as implementing future expansion plans

For FY2018, FY2019 and FY2020, we completed 14, 11 and seven formwork projects respectively. As at 31 March 2020, the outstanding revenue to be recognised for our projects on hand was approximately HK\$1,064.9 million.

To commence a new project and in the course of carrying out the project, we generally have to incur substantial upfront costs in the early stage. During the tendering process, our management team will prepare a calculation for the upfront cost of each project we tender. Having considered the tender release time and the project scale of each project, we will be required to reserve sufficient cash for the expenses in relation to the upfront cost for such project in case the project is awarded to us. With reference to our prolonged cash conversion cycle during the Track Record Period as detailed under the section headed “Financial information — Net cash generated from operating activities” in this prospectus, for our projects during the Track Record Period, the period between the commencement of projects and our Group receiving the first progress payment from customers generally ranged from approximately two months to five months.

In line with the industry practice, as explained under the section headed “Business — Risk management and internal control — Liquidity risk management” in this prospectus, our operations may likely face liquidity risks from time to time as a result of such a mismatch between our operating cash outflow arising from settling trade payables and our operating cash inflow by converting our trade receivables and contract assets into cash. Hence, our Directors take the view that it is financially prudent for our Group to maintain sufficient immediately available cash and bank balance in case we have to pay a substantial amount of upfront costs within a short period of time in the early stage if all or some of the tendered projects are to commence concurrently or at similar period. Please refer to the paragraph headed “Use of proceeds — 1. Finance the upfront funding needs for our projects — Our tendered projects” in this section for the total estimated amount of upfront cost needed for our tendered projects and the expected project commencement date of the tendered projects. Our working capital will be tied up around the same time of the expected project commencement date for these projects.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our Directors are of the view that the available cash we possessed is merely adequate for maintaining our existing business operations which, however, might not be sufficient for our business growth going forward. As at 31 May 2020, being the most recent practicable date for the purpose of the disclosure of our liquidity position, our Group had demonstrated continuous liquidity pressure from existing operation by the facts that: (i) our cash and cash equivalents of approximately HK\$41.8 million; and (ii) a significant portion of cash outflow used in operating activities during the Track Record Period mainly due to our expenses in relation to the costs of revenue, including subcontracting charges, materials costs and direct labour costs and others, which accounted for a monthly average amount of approximately HK\$78.0 million, HK\$39.1 million and HK\$51.1 million for each of FY2018, FY2019 and FY2020 respectively.

Our Group recorded an increase in contract assets from approximately HK\$107.5 million as at 31 March 2019 to approximately HK\$184.8 million as at 31 March 2020. Given that the settlement of contract assets and the settlement of trade receivables depends on the timing of certification of our works by our customers and the credit period granted to them, if there is any delay in (i) certification of our works; or (ii) payment by our customers in any projects, our cash inflow would be adversely affected. If such event happens, we would have difficulty in paying the upfront cost of other projects if these projects are to commence at the same time. Hence, the increasing amount of our contract assets, which represented the amount of our uncertified and unbilled completed work and the amount of retention receivable, coupled with our trade receivables, can together reflect our capital pressure as they may not be fully and immediately available to us to pay for the upfront cost.

Having considered the outstanding revenue to be recognised for our projects on hand at 31 March 2020 of approximately HK\$1,064.9 million, as detailed under the section headed “Business — Our Projects — Backlog” in this prospectus, our Directors believe that our liquidity pressure and funding need will substantially exceed the current level of our available cash and unutilised banking overdraft facilities backed by our Directors. As our operating costs generally increase along with the growth in our business operation, our cash inflow generated from the subsequent billing and settlement of contract assets and trade receivables are not likely to be fully and immediately available for settling our trade payables, staff costs and other working capital needs, indicating a funding need to finance the upfront cost of our projects.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our Directors also consider that if we solely rely on future cash flows generated from our operating activities to finance our projects, our Group will be largely subject to uncertainties in relation to the timing of generating sufficient cash from our operation. While our management has established an effective internal control measure to manage our working capital to support our liquidity needs as detailed in the section headed “Business — Risk management and internal control — Liquidity risk management” in this prospectus, the subsequent recognition and settlement of our contract assets and account receivable will depend on the timing of certification of our works by our customers, which would vary among different customers based on their own certification process and approval procedures for payments. Taking into consideration of the long duration of our projects and the prolonged cash conversion cycle in average, it is observed that the funding deployed for a project would be held up and would not be immediately available to be recycled to fund other projects. Our liquidity pressure will be further intensified taking into account the facts that the number of sizeable projects will increase along with our expansion plan and thus, our customers may need additional time to certify larger scope of works whereby we may be exposed to a more substantial cash flow mismatch and that we have to pay our subcontractors in accordance with the payment terms under the subcontracts irrespective of whether we have received payments from our customers. In this connection, our Directors consider that it is necessary to ensure a certain level of cash reserves in our Group as our financial performance and liquidity may be negatively affected if market uncertainty suddenly arises, which would likely result in even longer cash collection cycle from our customers.

In view of our Group’s difficulties during the Track Record Period in obtaining bank borrowing without placing collaterals, as explained under the section headed “Financial Information — Indebtedness” in this prospectus, our Group had reliance on cash inflow generated from financing activities by way of maintaining a high level of net amount due to a director and related companies to bridge the liquidity mismatch which indicates our Group’s financial reliance on our Shareholders’ continuing investment from their personal wealth. In response to the aforementioned monthly cost of revenue incurred during the Track Record Period, we also maintained an associated net amount due to a director and related parties in aggregate of approximately HK\$133.7 million, HK\$7.2 million and nil for FY2018, FY2019 and FY2020, respectively. It is demonstrated that, while our funding needs diminished upon a drop in revenue during FY2019, it also grew significantly as our revenue was high during FY2018. It is observed that upon substantially settling our net amount due to a director and related parties and dividend paid during FY2019 and FY2020, the level of our cash and cash equivalent position had decreased significantly. Up to the Latest Practicable Date, we still maintained the financial reliance on our Directors via a bank overdraft facilities of HK\$60.0 million secured by Mr. Lo’s personal guarantees and personal collaterals in preparation of our ongoing funding needs. However, such reliance is dependent on the availability of funding from our Controlling Shareholders which poses limitations on our business growth. Should opportunities for sizeable projects arise, our Directors are of the view that the pursuit of equity financing with a larger shareholder base upon the Listing will be in the interest of our long-term sustainable development.

In view of the above, our Directors estimated that if we decide to undertake more projects in future without the additional funding from the Listing, our internal resources as well as our existing banking facilities will not be sufficient to support our expansion, not to mention any unexpected adverse changes to our business operation or financial position, and our business expansion of our Group will intensify our reliance on our Controlling Shareholder's personal financial position which indicates the genuine funding needs of our Group.

(ii) Enhance our corporate profile and market reputation

We believe that a public listing status in Hong Kong would assist us in reinforcing our image, and place confidence in enhancing the confidence of stakeholders in the industry including developers, construction engineers, subcontractors and suppliers, and our Directors believe that financial institutions will be more willing to establish business relationship with listed companies. We will benefit from the perception of outsiders in respect of good corporate governance and internal control, and generate reassurance among our existing business partners, customers and suppliers, and strengthen our competitiveness in the market. Listing can increase corporate transparency of our Group to gain recognition from stakeholders. As some of our competitors have already been publicly listed, our Directors believe that we will become a more competitive subcontractor in the formwork industry in Hong Kong as well as other regions if we were able to gain a listing status.

Our financial standing is one of the major considerations for our customers during the competitive tendering process. To commence a new project, we are generally required to incur significant upfront costs in the early stage before such costs can be recovered from our customers as works progress. Therefore, our Directors believe that, in order to avoid any consequences of delayed project executions, our customers will generally assess whether a contractor has sufficient financial resources to undertake a project on top of the other projects on hand. According to the Frost & Sullivan Report, a main contractor prefers engaging subcontractors which are financially healthy and are able to maintain cash flow liquidity. Industry players without sufficient capital and financial resources, in general, will not be considered in the tendering process. Therefore, formwork contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects, and large-scale construction projects help formwork contractors to enhance their job experience and build up their reputation in the industry. Based on our Directors' experience, our customers would generally take into account the financial position and cash flow liquidity of the potential contractors before awarding the tenders. Given our stable and long-term business relationship with our major customers, our Directors consider that we will be able to achieve further growth by capturing future opportunities and secure more large-scale construction projects by having a listing status and with an improvement in cash flow liquidity position.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our Directors are of the view that our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit terms and higher credit limit, after the Listing due to the enhanced confidence and transparency on our Group's financial and operational information as a company listed on the Stock Exchange. Our Directors consider that the improvement in our bargaining power for more favourable terms from our stakeholders would help us to maintain a healthier financial position by reducing the gap of liquidity mismatch and releasing our gearing and liquidity pressures as detailed under the section headed "Business — Risk management and internal control — Liquidity risk management" in this prospectus.

In the event that financing activities is necessary, our Directors believe that we will benefit from having a listing status to negotiate for better financing terms, such as, lower interest rate, higher credit limit and less restrict covenants, which would eventually reduce our liquidity pressure. Further, it would generate reassurance amongst our stakeholders including customers and developers, particularly those of larger size.

We consider our corporate profile and recognition to be important factors for securing new projects as we obtain our business by way of invitation to tender. As such, our Directors consider that a public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which will assist in further strengthening our market position, enhancing our reputation and expanding our market share.

To effectively implement our business strategies, our Directors are of the view that a public listing status will allow us to retain our existing staff and attract talent more easily. Our Directors consider that we will become more appealing to both local and foreign talents by becoming listed on the Hong Kong stock market. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. In addition, the status of being a listed company will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a company listed on the Hong Kong stock market.

(iii) Enable us to raise funds more easily for future business development and provide liquidity in the trading of Shares

Our Directors are of the view that a public listing status can assist us in any future debt financing, if necessary. Being a group of private companies in the construction industry without a listing status, our Directors consider it would be difficult for us to obtain debt financing without guarantees or other collaterals to be provided by our Controlling Shareholders. However, the continuous reliance on our Controlling Shareholders for provision of personal guarantee and other form of financial assistance would be a hindrance to us in achieving financial independence. In addition, the regular financial reporting requirements under the Listing Rules can enable financial institutions to evaluate and monitor our financial position more effectively and therefore it is expected that the approval process for any future bank borrowings can be smoothed. Such better accessibility to banking facilities will allow us more flexibility in the management of our cash flow.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that the net proceeds from the Listing can provide us with the necessary additional financial resources without exposing us to high gearing ratio, which would subject us to the inherent risks of higher interest rate and finance costs. While we expect to gain more access to obtain banking facilities alongside with equity financing, our Directors believe that a listing status with an enlarged capital base will put our Group in a better position to negotiate with banks and financial institutions. Further, our Directors consider that it would be difficult for our Group, without a listing status, to obtain bank borrowings at more commercially favourable terms without personal guarantees or other collaterals to be provided by our Controlling Shareholders. Our Directors believe that a combination of equity financing and debt financing will be beneficial to our Group to fund our future plan. Should the Listing be delayed or not proceed, we may need to (i) seek financing from our Shareholders, if available; and/or (ii) slow down our business development by declining tender invitations which we may not have sufficient resources to pursue, and this will be detrimental to our Group's future growth.

The Listing will provide our Company with a broader shareholder base and a market for the trading of the Shares. The Listing will allow institutional, professional and other investors in Hong Kong to easily invest in our Company. In addition, our Directors are of the view that the Listing will enable our Group to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future.

BUSINESS STRATEGIES

Our Directors consider that the net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out below.

Our Directors believe that the Listing would take our Group to the next level by strengthening our Group's financial position and enhancing corporate profile and market reputation, and enabling us to better tackle future challenges and expand our market share.

According to the Frost & Sullivan Report, the pace of construction and refurbishment of buildings and facilities are expected to increase, which in turn is expected to lead to an increase in demand for formwork. It is expected that the revenue of the formwork industry in Hong Kong would reach approximately HK\$7,418.2 million in 2024, growing at a CAGR of approximately 3.5% from 2019 to 2024. In particular, the commercial segment is forecasted to keep a steady growth. For FY2018, FY2019 and FY2020, our total revenue amounted to approximately HK\$1,013.7 million, HK\$525.2 million and HK\$685.9 million respectively, of which revenue generated from providing formwork services constituted approximately 96.5%, 95.2% and 99.6% of our total revenue respectively.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

(i) Strengthening our financial position to undertake more sizeable formwork projects

Our Directors consider that it is important to strengthen our financial position in order to take up more sizeable formwork projects with larger contract sums. According to the Frost & Sullivan Report, the formwork business is considered as a capital intensive business due to the fact that preparation works such as purchase of materials, fees payable to subcontractors and recruitment of direct labour, constitute key working capital items for formwork contractors. In particular, substantial working capital investment is often required for making prepayment or deposits to suppliers and subcontractors.

Due to our business nature, we may experience net cash outflows at the initial stage of a project after project commencement. These upfront costs come in two forms. They include project upfront costs at the initial stage of a project which include subcontracting charges for work done by subcontractors, payments made to suppliers for materials and direct labour costs.

The cash flow requirement at the initial stage of a project after the project has commenced, constraints the number and size of projects which we can undertake at the same time due to our limited resources. Going forward, we intend to strengthen our cash position and available financial resources to satisfy the requirements for the upfront costs of our projects in the future and in order to undertake more sizeable formwork projects in Hong Kong. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature. In addition, we will continue to focus on maintaining adequate cash flow for our ongoing capital requirements. For further details on our upfront funding needs, please refer to the paragraph headed "Use of proceeds" in this section below.

(ii) Strengthening our manpower to cope with our business development

Our formwork services are labour-intensive. As a result, our success depends in part on our team of skilled workers. Limited by the manpower of our current project management team, in particular project managers and site managers who supervise our subcontractors at the project sites, we believe it is crucial to expand our in-house team of staff in order to cater for the increasing number of sizeable formwork projects to be undertaken by us.

For further details on our recruitment plan, please refer to the paragraph headed "Use of Proceeds" in this section below.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer after deducting underwriting commissions, professional fees and anticipated expenses payable by us in connection with the Share Offer (assuming the payment of aggregate underwriting commission amounting to not more than 6.0% of the aggregate Offer Price) will be approximately HK\$107.0 million, assuming an Offer Price of HK\$0.58 per Share, being the mid-point of the Offer Price range stated in this prospectus.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

We currently intend to apply these net proceeds for the following purposes:

	Net proceeds <i>HK\$ million</i>	% of net proceeds
Finance the upfront funding needs for our projects	90.5	85.0
Expand our workforce	5.8	5.0
General working capital	10.7	10.0
	107.0	100.0
Total	107.0	100.0

1. Finance the upfront funding needs for our projects

We plan to use approximately HK\$90.5 million, or approximately 85.0%, of the net proceeds to finance the upfront costs of our newly awarded projects and tendered projects.

Our newly awarded projects

As at the Latest Practicable Date, we had five newly awarded projects, but not yet commenced, with an aggregate contract sum of approximately HK\$575.3 million, of which approximately HK\$243.6 million and HK\$288.6 million are expected to be recognised as our revenue for FY2021 and FY2022 respectively. The following table sets forth our newly awarded projects that were awarded to us but not yet commenced as at the Latest Practicable Date:

Project no.	Location of project	Customer	Sector	Scope of works	Expected project period ¹	Initial contract sum <i>HK\$ million</i>	Estimated amount of upfront costs ² <i>HK\$ million</i>
W064	Skycity in Chek Lap Kok	Hip Seng Group	Private	Conventional formwork	Jul 2020 – Dec 2021	305.9	76.5
W068	Commercial district in Chek Lap Kok	Build King Construction Limited	Public	Conventional formwork	Jul 2020 – Mar 2021	12.7	3.2
W069	Terminal building in Chek Lap Kok	Build King Construction Limited	Public	Conventional formwork	Aug 2020 – Mar 2021	42.9	10.7
W070	Commercial shopping mall in Kai Tak	Hip Hing Group	Private	Conventional formwork and prefabricated formwork	Sep 2020 – Sep 2021	96.4	24.1
W071	Stadium in Kai Tak	Hip Hing Group	Public	Conventional formwork	Aug 2020 – Aug 2021	117.4	29.4
					Total	575.3	143.9

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Notes:

- The expected project period is determined with the reference to the work schedule together with our Directors' judgment or estimation. The actual project period may be adjusted by our customers or potential customer subject to the period changes in project requirements.
- The estimated amount of upfront costs is calculated using the upfront cost ratio of approximately 25.0%.

Our tendered projects

As at the Latest Practicable Date, we had 12 tenders pending for result with an aggregate contract sum of approximately HK\$537.2 million. The details of the 12 tenders we submitted as at the Latest Practicable Date are set out in the table below.

Tender no.	Location of project	Date of tender submission or tender document	Sector	Expected tender release date	Expected project commencement date ¹	Initial contract sum/tender amount <i>HK\$ million</i>	Estimated upfront costs ² <i>HK\$ million</i>	Status as at the Latest Practicable Date
T01	Residential building in Yau Tong	Mar 2020	Private	Aug 2020	Sep 2020	83.6	20.9	Preliminary quotation submitted, pending for update from main contractor.
T02	Residential building in Kadoorie Hill	Mar 2020	Private	Aug 2020	Sep 2020	19.5	4.9	Preliminary quotation submitted, pending for update from main contractor.
T03	Multi-function building in Chek Lap Kok	Mar 2020	Public	Aug 2020	Oct 2020	28.8	7.2	Preliminary quotation submitted, pending for update from main contractor.
T04	Residential building in Tseung Kwan O	Mar 2020	Private	Aug 2020	Oct 2020	58.5	14.6	Preliminary quotation submitted, pending for update from main contractor.
T05	Residential building in Sha Tin	Apr 2020	Public	Aug 2020	Sep 2020	39.0	9.8	Preliminary quotation submitted, pending for update from main contractor.
T06	Residential building and church in Kennedy Road	Apr 2020	Private	Aug 2020	Sep 2020	16.8	4.2	Preliminary quotation submitted, pending for update from main contractor.
T07	Residential building in Fanling	Apr 2020	Private	Sep 2020	Oct 2020	21.2	5.3	Preliminary quotation submitted, pending for update from main contractor.
T08	Residential building in Prince Edward	Apr 2020	Private	Sep 2020	Oct 2020	8.8	2.2	Preliminary quotation submitted, pending for update from main contractor.
T09	Residential building in Fanling	Apr 2020	Private	Sep 2020	Oct 2020	115.3	28.8	Preliminary quotation submitted, pending for update from main contractor.
T10	Residential building in Ma On Shan	May 2020	Public	Aug 2020	Oct 2020	30.6	7.7	Preliminary quotation submitted, the main contractor had kept on making enquiries to us regarding our scope of works and the time frame for completing the works.
T11	Residential building in Kai Tak	May 2020	Private	Sep 2020	Oct 2020	72.6	18.2	Preliminary quotation submitted, pending for update from main contractor.
T12	Residential building in Kwun Tong	May 2020	Private	Oct 2020	Nov 2020	42.5	10.6	Preliminary quotation submitted, pending for update from main contractor.
Total						537.2	134.3	

Notes:

- The estimated project commencement date is determined with the reference to our Directors' judgment or estimation. The actual project commencement date may be adjusted by the potential customers subject to the tendering process and changes in project requirements.
- The estimated amount of upfront costs is calculated using the upfront cost ratio of approximately 25.0%.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our upfront costs mainly include subcontracting charges, materials costs and direct labour costs. As detailed under the section headed “Business — Risk management and internal control — Liquidity risk management” in this prospectus, our customers typically make progress payments after our work has commenced, and we often experience liquidity mismatch in the form of significant net cash outflow during the early stages of our projects where our cash outflow for our payables are not covered by our receivables until a prolonged period of time.

With reference to our prolonged cash conversion cycle during the Track Record Period as detailed under the section headed “Financial information — Net cash generated from operating activities” in this prospectus, for our projects during the Track Record Period, the period between the commencement of projects and our Group receiving the first progress payment from customers generally ranged from approximately two months to five months. Accordingly, as estimated by our Directors, the relevant cash outflow during such period would amount to approximately 25.0% of the respective project’s total contract sum. The length of such period of time and the amount of upfront payment depends on the respective customer’s progress payment certifying procedure and pattern. The relevant amount of upfront cost drawn from our working capitals in early stage will not be recovered until a later stage of project life span, when the accumulated progress payments received from our customer can substantially cover the aggregate cost we incurred.

As at the Latest Practicable Date, based on our Directors’ experience in the industry, our Directors consider that the frequent contacts and subsequent meetings with the main contractor for Tender T10 are indications of the main contractor’s likelihood to engage us. Our Directors believe that the formwork services for Tender T10 could be engaged to our Group in or around August 2020.

The entire allocated net proceeds of HK\$90.5 million will be applied for payment of the upfront costs of our newly awarded projects but not yet commenced as at the Latest Practicable Date, which amounted to approximately HK\$143.9 million. The upfront costs of (i) approximately HK\$53.4 million of our newly awarded projects; and (ii) approximately HK\$134.3 million of our tendered projects not covered by the allocated net proceeds would have to be satisfied with our internal resources and/or bank borrowings upon our accessibility after attaining the listing status. The actual amount to be allocated to each project for payment of its upfront costs is subject to changes, depending on the number of these projects can be awarded, our financial condition at the relevant time, and the actual contract sum of the project etc.

According to the Frost & Sullivan Report, most of the formwork players are asset-light companies and do not own sufficient collaterals for debt financing from financial institutions, save for controlling shareholders’ personal guarantees and personal collaterals.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

In response to our funding needs during the Track Record Period, as detailed under the paragraph headed “Reasons for Listing — (i) Satisfy our genuine funding need for maintaining our existing business operations as well as implementing future expansion plans” in this section above, our Group mainly financed our upfront costs and working capital by our equity capital, internally generated funds and financial assistance from our Controlling Shareholder in the form of amounts due to a director, amounts due to related companies and bank overdraft facilities. As at 31 March 2018, 2019 and 2020, the aggregate net amount due to a director and related companies amounted to approximately HK\$133.7 million, HK\$7.2 million and nil respectively, along with a bank overdraft facility of HK\$60.0 million secured by Mr. Lo’s personal guarantees and personal collaterals. For more details, please refer to section headed “Financial Information — Indebtedness” in this prospectus.

In preparation for the Listing, and to achieve financial independence from our Controlling Shareholders, our Group had reduced the reliance on financial assistance from Mr. Lo for our working capital needs. In September 2019, a dividend of HK\$43.2 million was declared by our Company, and such dividend was settled by offsetting the then amount due from Mr. Lo. We recorded a decrease in the aggregate net amount due to a director and related companies, which was mainly settled by our internally generated resources, resulting in our cash level decreasing significantly from approximately HK\$71.8 million as at 31 March 2018 to approximately HK\$33.3 million as at 31 March 2020.

During FY2019, our Directors consider that the decreasing contract value of new projects awarded and variation orders resulted from (i) the keen competition in tendering new formwork projects in Hong Kong; and (ii) the delay in commencement of Project W046 and Project W047, details of which are set out in the section headed “Business — Our projects — Backlog — Reasons for the fluctuation in backlog and delay in Project W046 and Project W047” in this prospectus. As at 31 March 2020, we had 27 projects on hand with the outstanding revenue to be recognised of approximately HK\$1,064.9 million.

Project W064, Project W068, Project W069, Project W070, Project W071 and any potential new projects pending for tender result as mentioned above will require an upfront cost drawn from our Group’s available working capitals at a similar manner. Among which, for illustrative purpose, Project W064, Project W068, Project W069 and Project W070, Project W071 will already require upfront costs of approximately HK\$143.9 million, along with the new tendered projects pending for result that might further require an estimated upfront costs amounting to approximately HK\$134.3 million if awarded to our Group. Other than the net proceeds of approximately HK\$90.5 million for upfront costs, our internal generated fund and/or banking facilities will be required to fund our remaining financial needs for our projects.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Based on our Directors' experience, only shortlisted candidates will be asked to attend tender interviews. In the event that we are shortlisted to attend tender interviews for any of the tendered projects which were pending for results as disclosed above, we will assess our financial capacity with reference to our cash and cash equivalents, unutilised banking facilities and our future operating cash inflow. Should our financial capacity be insufficient to take on additional tender project(s), we will negotiate for a less competitive price at the tender interviews, so as to decrease the chances of obtaining the said tendered projects.

In the event that the Listing is delayed or does not proceed, we will either turn down potential tender invitations and slow down our business development, or we will have to seek for further banking facilities to finance the awarded and tendered projects. However, our Directors consider that we may have difficulties in securing further banking facilities taking into account that our Group does not have any real estate properties to be provided as security for additional banking facilities. Even if we are able to secure further banking facilities, our Directors consider that we may be subject to higher interest rates and finance costs.

Based on the above and in view of the required upfront costs of Project W064, Project W068, Project W069, Project W070, Project W071 and potential new projects pending for result as mentioned above, our Directors are of the view that it would be necessary for our Group to obtain proceeds from the Listing. With the net proceeds from the Share Offer to finance the upfront costs for our newly awarded projects of our Group, our Directors believe that we can tender for and undertake more projects at competitive terms on top of our existing operational scale.

2. Expand our workforce

Approximately HK\$5.8 million of the net proceeds, or approximately 5.0% of the net proceeds, will be used for expanding our workforce and providing staff training (by using approximately HK\$0.5 million) especially for BIM (Building Information Modelling) which will be the future trend of construction industry as detailed in the section headed "Industry Overview".

Our Directors believe that our capability to render formwork works to our customers is premised on strong project teams that are staffed with professional personnel that possess relevant skills and experience to plan and closely monitor the progress of our projects and the works of our subcontractors. Considering that we had 27 projects on hand as at 31 March 2020, our Directors take the view that our existing project teams, who had already been fully occupied due to their heavy workload, would not have enough spare capacity to undertake more projects in the near future.

In the event our existing project teams have to undertake the awarded and tendered projects concurrently or at similar time, if we do not expand our project team work force, they might not be able to provide adequate and timely instructions to our subcontractors, to closely supervise the implementation of work safety measures on site, and to monitor the quality of works performed by the subcontractors.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, Mr. Lo was heavily involved in our daily operation and project management. However, it is planned that after the Listing, Mr. Lo will spend more time on strategic planning and overall business development. Based on the above, in order to expand our project teams to cope with our business expansion, to maintain the competitiveness of our Group and to further enhance the quality of our works, our Directors are of the view that we would require to recruit additional project managers to replace Mr. Lo in his previous capacity, and to recruit additional quantity surveyors for the corresponding backlog projects. With regards to the recruitment of additional safety supervisors, our Directors are of the view that it is in the best interest of our Group given the previous workplace accidents and future projects to be carried out. In relation to the recruitment of additional finance and administrative staff, our Directors are of the view that such recruitment would be necessary for our Group's future ongoing compliance with the Listing Rules upon the Listing, such as preparation of interim and annual financial reports.

In light of the above, our Directors consider that a substantial amount of manpower will be required and to this end, we intend to recruit the following additional employees:

Position	Function	Qualification	Existing number of employees as at the Latest Practicable Date	Number of employees to be recruited	Approximate annual remuneration per employee HK\$'000
Project manager	Overall management of project implementation	Holder of bachelor degree in civil engineering or equivalent with relevant experience in formwork works	1	2	860
Quantity surveyor	Inspect the work progress on site and prepare payment applications	Holder of bachelor degree in quantity surveying or equivalent with relevant experience	5	2	630
Safety supervisor	Supervise workers on site for safety issues	With relevant experience in supervision of sites and workers	6	2	687
Finance and administrative staff	Prepare financial reporting of the projects undertaken by us	Holder of bachelor degree in accounting or equivalent with relevant experience in project accounting	7	3	300

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

According to the Frost & Sullivan Report, BIM is the process of generating three-dimensional, digital representation of building data throughout its life cycle. BIM is an innovative technology for bridging communications between the architecture, engineering and construction industries. BIM models have increasingly played a significant role in automating design tasks. The BIM concept envisages virtual construction of a facility prior to its actual physical construction, in order to reduce uncertainty, improve safety, work out problems, and simulate and analyse potential impacts. Subcontractors from different phases of a project can input and extract relevant information into the model before beginning construction, with opportunities to pre-fabricate or pre-assemble some systems off-site.

Wastages and discrepancies of construction works can be minimised and products delivered on a timely basis rather than being stock-piled on-site. For instance, placing the design of formwork systems within the BIM environment, formwork subcontractor could then generate visualisation and prepare schedules accordingly. It is believed that with the introduction of BIM models in resolving clashes, scheduling, and resource planning, the relevant formwork design process and the actual project implementation will be streamlined.

It is believed that BIM will become more common and will gradually become a generally accepted practice in the market. Since 2006, the Housing Authority introduced BIM in its development of public rental housing projects and the recent housing projects have already adopted BIM technology at various project stages, ranging from feasibility study to the construction stage. On 1 January 2018, a technical circular issued by the Development Bureau regulating the adoption of BIM for capital works projects in Hong Kong has become effective. According to the technical circular, capital works projects with project costs estimating more than HK\$30.0 million shall use BIM technology. The policy is applicable for projects in the investigation, feasibility, planning, design or construction stages for public projects.

According to the Frost & Sullivan Report, BIM could help achieve approximately 8.0% to 18.0% cost savings at the design stage, and about 8.0% to 10.0% cost savings during construction stage. BIM technology allows visualisation of design and construction information on a shared digital platform to improve design, minimise site problems and thus minimise construction clashes. BIM could also reduce material wastage by allowing better construction sequence planning, or industrialised construction processes off-site. Manpower training is a pre-requisite for adoption of BIM technology.

Based on the Frost & Sullivan Report, BIM also involves information technology and relevant computer software skills, which is an additional skill-set not possessed by every structural and geotechnical engineer in the labour market. In view of our engagements in public projects from time to time (in particular, public rental housing projects), our Directors believe our work efficiency and competitiveness will be enhanced, should our relevant staff become more familiar with the information generated within BIM technology and be able to communicate accordingly.

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

In addition, according to the technical circular issued by the Development Bureau dated 20 December 2019, the staff of contractors or subcontractors' staff are required to attend BIM training for government projects. Having considered (i) the promotion of BIM technologies initiated and enforced by Hong Kong government; and (ii) the foreseeable trends of the increasing use and adoption of BIM technology for most of the large scale government projects in future, our Directors believe that providing BIM trainings to our staff can improve customer satisfaction by facilitating better communication with our main contractors or other subcontractors.

3. General working capital

Approximately HK\$10.7 million of the net proceeds, or approximately 10.0% of the net proceeds, will be used as general working capital of our Group.

If the Offer Price is set at HK\$0.64 per Share (being the high end of the Offer Price range), the net proceeds from the Share Offer will increase to approximately HK\$121.3 million.

If the Offer Price is set at HK\$0.52 per Share (being the low end of the Offer Price range), the net proceeds from the Share Offer will decrease to approximately HK\$92.8 million.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term interest-bearing deposits with licensed banks.

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PUBLIC OFFER UNDERWRITERS

Forwin Securities Group Limited

Alpha Financial Group Limited

AFG Securities Limited

China Tonghai Securities Limited

CIS Securities Asset Management Limited

Eddid Securities and Futures Limited

Enhanced Securities Limited

Plutus Securities Limited

President Securities (Hong Kong) Limited

Rifa Securities Limited

Roofer Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms.

Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and any shares which may fall to be issued pursuant to the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the Offer Price having been determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company and at or prior to Thursday, 6 August 2020 but in any event no later than Wednesday, 12 August 2020, and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares being offered on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement.

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Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) may in its sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, Cayman Islands, BVI, or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
 - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
 - (d) any new laws or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
 - (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

UNDERWRITING

- (h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority; or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, under any laws in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollars is linked to that of the U.S. dollars or a material devaluation of Hong Kong dollars against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares which may be issued pursuant to the Over-allotment Option) pursuant to the terms of the Share Offer for whatever reason; or

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- (p) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) other than with the prior approval of the Joint Global Coordinators (for themselves and on behalf of other Public Offer Underwriters), the issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (r) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (s) any loss or damage sustained by any member of our Group; or
- (t) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (u) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or from taking part in the management of a company; or
- (v) the chairman or president of our Company vacating his office; or
- (w) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (x) our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or
- (y) any person (other than the Sponsor, the Joint Global Coordinators and any of the Public Offer Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents (as defined in the Public Offer Underwriting Agreement), or to the issue of any such documents; or

UNDERWRITING

- (z) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which, whether individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Global Coordinators (in their sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
 - (b) any statement contained in this prospectus or the Application Forms, the formal notice or any announcement issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice or any announcements issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer were to be issued at that time, constitute a material omission therefrom as determined by

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the Joint Global Coordinators (in their sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

- (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Joint Global Coordinators (in their sole and absolute discretion).

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to, and covenanted with the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer and the Capitalisation Issue, our Company will not, and will procure its subsidiaries not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or other securities of our Company or any shares or other securities of other members of our Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any of the above transactions; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

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in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company and/or causing our Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 13.25(2) of the Listing Rules) of our Group.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to, and covenanted with our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer and the Capitalisation Issue and other than the Shares which may fall to be issued pursuant to the grant or the exercise of any options under the Share Option Scheme or any consolidation, sub-division or capital reduction of the Shares or by way of scrip dividend schemes or other similar schemes in accordance with the Articles of Association and the Listing Rules or otherwise approved by the Stock Exchange, he/it will not and will procure that his/its relevant registered holder(s) and associates will not, without prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules:

- (i) at any time during the First Six-Month Period:
 - (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares, capital or other securities or any interest therein; or

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- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
 - (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (e) purchase any Shares or any other securities of our Company; and
- (ii) at any time during the Second Six-Month Period:
- (a) each of our Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (i)(a) or (i)(b) or (i)(c) above if, immediately following such transaction, he/it will cease to be a Controlling Shareholder or would together with the other controlling shareholders cease to be Controlling Shareholder or our Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 13.25(2) of the Listing Rules) of our Group; and
 - (b) until the expiry of the Second Six-Month Period, any of our Controlling Shareholders will not offer, enter or agree or contracts to or publicly announce an intention to enter into the foregoing transactions and he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has undertaken to our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by our Company

In accordance with Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not allot or issue any Shares or other securities convertible into equity securities of our Company (including warranties or other convertible securities), whether or not of a class already listed, or enter into any agreement to such issue within six months from the Listing Date, except in certain circumstances prescribed by Rule 10.08 (1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to each of the Stock Exchange, our Company and the Sponsor that, except pursuant to the Share Offer, he/it shall not directly or indirectly and shall procure that each of his/its respective associates, companies controlled by him/it, his/its respective nominees, trustees and the relevant registered holder(s) of the Shares (collectively, the “**Relevant Registered Holders**”) shall not:

- (i) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in the Prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which he/it/they is or are shown by the Prospectus to be the beneficial owner(s) (within the meaning of Rule 10.07(2) of the Listing Rules) (whether direct or indirect); and
- (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any securities of our Company referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that he/it/they, individually or together with each other as a group, would cease to be our Controlling Shareholder.

UNDERWRITING

Each of our Controlling Shareholders has jointly and severally, irrevocably and unconditionally also undertaken to each of the Stock Exchange, our Company and the Sponsor that, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in the Prospectus and ending on the date which is twelve months from the date on which dealings in the Shares commence on the Stock Exchange, he/it/they will:

- (i) when he/it/they (or through the Relevant Registered Holder(s)) pledge(s) or charge(s) any Shares or any other securities of our Company beneficially owned by him/it/them (directly or indirectly) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (ii) when he/it/we receive(s) indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters by him/it/them and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed and will lapse immediately. The Placing Underwriting Agreement is conditional on and subject to, among other things, the Public Offer Underwriting Agreement having been executed, becoming unconditional and not

UNDERWRITING

having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings pursuant to the Public Offer Underwriting Agreement” in this section above. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten by the Placing Underwriters.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters), at its sole and absolute discretion, at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over-allocations, if any, in the Placing. Further details are set out in the section headed “Structure and Conditions of the Share Offer — Over-allotment Option” in this prospectus.

Commission and expenses

Pursuant to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer (excluding any Placing Shares reallocated to the Public Offer and any Public Offer Shares reallocated to the Placing), out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public Offer. The Placing Underwriters are expected to receive an underwriting commission of not more than 6.0% of the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. No additional incentive fee will be payable by our Company to the Underwriters. The Sponsor will, in addition, receive a sponsor’s fee in relation to the Listing and will be reimbursed for their expenses.

Based on the Offer Price of HK\$0.58 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable by our Company to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$38.0 million in total, assuming that the Over-allotment Option is not exercised at all. We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

UNDERWRITING

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

Our Company has appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

Save for their respective interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 250,000,000 Offer Shares (subject to the Over-allotment Option) will be made available under the Share Offer, of which:

- (i) 225,000,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing; and
- (ii) 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

The Offer Shares will be allocated pursuant to Rule 8.08(3) of the Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Offer Shares to any persons. Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed.

The Public Offer

Number of Shares initially offered

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available for subscription under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement, and also subject to the Offer Price being fixed by the Price Determination Agreement. Applicants for the Public Offer Shares are required upon application to pay the maximum Offer Price of HK\$0.64 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 12,500,000 Public Offer Shares for each of pool A and pool B respectively, for allocation purposes:

- Pool A: Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable thereon) or less; and
- Pool B: the Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares) will be rejected.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section below.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Placing

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement, and also subject to the Offer Price being fixed by the Price Determination Agreement.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole. Investors to whom the Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Joint Global Coordinators (on behalf of the Placing Underwriters) may require investors who have been offered Offer Shares under the Placing and who have made applications under the Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Public Offer and to ensure that such applications are excluded from any allotment of Offer Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) will take all reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

In addition, our Company and the Joint Global Coordinators will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. The Placing is subject to the Public Offer being unconditional.

The Placing is expected to be subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section below.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

REALLOCATION OF THE OFFER SHARES BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (1) Where the Placing Shares are fully subscribed or oversubscribed:
 - (a) if the Public Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Global Coordinators deem appropriate;
 - (b) if the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then up to 25,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option);
 - (c) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then up to 50,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option);
 - (d) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then up to 75,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option); and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (e) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then up to 100,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option).
- (2) Where the Placing Shares are undersubscribed:
- (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements;
 - (b) if the Public Offer Shares are oversubscribed irrespective of the number of times, then up to 25,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option).

If the Public Offer is not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deem appropriate to satisfy demand under the Placing.

In addition, the Offer Shares to be offered in the Public Offer and the Placing may in certain circumstances be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for paragraphs (1)(c), (1)(d) or (1)(e) above, the maximum total number of Offer Shares that may be reallocated to the Public Offer shall be not more than 50,000,000 Offer Shares, representing double of the initial allocation to the Public Offer. In the event of such reallocation, the final Offer Price shall be fixed at HK\$0.52 per Offer Share, being the low-end of the indicative Offer Price range.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 13 August 2020.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICING

Offer Price

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Thursday, 6 August 2020.

The Offer Price will not be more than HK\$0.64 per Offer Share and is currently expected to be not less than HK\$0.52 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

Price payable upon application

Applicants under the Public Offer should pay, upon application, the maximum Offer Price of HK\$0.64 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$2,585.80 per board lot of 4,000 Offer Shares.

If the final Offer Price is lower than the maximum Offer Price of HK\$0.64 per Offer Share, appropriate refund payments (including the related brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

Determining the Offer Price

The Joint Global Coordinators will solicit from prospective investors the indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined.

The Price Determination Date is currently expected to be on or around Thursday, 6 August 2020. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 12 August 2020, the Share Offer will not proceed and will lapse immediately.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reduction in Offer Price range and/or number of Offer Shares

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the bookbuilding process and after consultation with our Company and with the written consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus and the Application Forms at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be posted on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk the notice(s) of the reduction of the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares being offered under the Share Offer, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered under the Public Offer and the Placing, provided that the number of Public Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer (assuming the Over-allotment Option is not exercised). The Public Offer Shares to be offered under the Public Offer and the Placing Shares to be offered under the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of final Offer Price and basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk on Thursday, 13 August 2020.

The results of allocations of the Share Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) under the Public Offer, will be available through a variety of channels as described in the section headed “How to Apply for Public Offer Shares — 11. Publication of results” in this prospectus.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (1) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (2) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sponsor and/or the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of the respective agreements or otherwise;
- (3) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (4) the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date.

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. (Hong Kong time) on the Listing Date or such other dates as the Sponsor and/or the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the conditions is not fulfilled or waived by the Sponsor and/or the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. Notice of the lapse of the Share Offer will be published by our Company on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk and on the day following such lapse. In such an event, all application monies will be returned without interest on the terms set out in the section headed “How to Apply for Public Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 14 August 2020 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) that is exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer at the Offer Price to cover over-allocation in the Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold upon exercise of the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer. The Underwriting Agreements provide that the net profits, if any, resulting from stabilising actions shall be shared by the Joint Global Coordinators with our Company.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilisation period.

STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Magnificent Faith. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Magnificent Faith will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 37,500,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

If such stock borrowing arrangement with Magnificent Faith is entered into, it will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Magnificent Faith or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Magnificent Faith by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisers for the details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 14 August 2020. The Shares will be traded in board lots of 4,000 Shares each. The stock code for the Shares is 9913.

Our Company will not issue any temporary documents of title.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sponsor, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

3.1 Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

3.2 Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 July 2020 to 12:00 noon on Tuesday, 4 August 2020 from:

- (i) the following addresses of the Joint Lead Managers:

Forwin Securities Group Limited	Unit B, 32/F, Tower One Lippo Centre 89 Queensway Admiralty Hong Kong
Alpha Financial Group Limited	Room A, 17/F Fortune House 61 Connaught Road Central Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

AFG Securities Limited	Room B, 17/F Fortune House 61 Connaught Road Central Central Hong Kong
China Tonghai Securities Limited	18/F-19/F China Building 29 Queen's Road Central Central Hong Kong
CIS Securities Asset Management Limited	21/F Centre Point 181-185 Gloucester Road Wanchai Hong Kong
Eddid Securities and Futures Limited	23/F YF Life Tower 33 Lokhart Road Wanchai Hong Kong
Enhanced Securities Limited	37/F Times Tower 393 Jaffe Road Wanchai Hong Kong
Plutus Securities Limited	8/F 80 Gloucester Road Wanchai Hong Kong
President Securities (Hong Kong) Limited	Units 2603-06, 26/F Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Rifa Securities Limited	Level 7 28 Hennessy Road Hong Kong
Roofer Securities Limited	7/F Pearl Oriental House 60 Stanley Street Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of **Bank of China (Hong Kong) Limited**, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road Sham Shui Po, Kowloon
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 July 2020 until 12:00 noon on Tuesday, 4 August 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

3.3 Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHI KAN HOLDINGS PUBLIC OFFER**" for the payment attached and securely stapled, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Thursday, 30 July 2020	—	9:00 a.m. to 4:00 p.m.
Friday, 31 July 2020	—	9:00 a.m. to 4:00 p.m.
Saturday, 1 August 2020	—	9:00 a.m. to 12:00 noon
Monday, 3 August 2020	—	9:00 a.m. to 4:00 p.m.
Tuesday, 4 August 2020	—	9:00 a.m. to 12:00 noon

The application lists will be open between 11:45 a.m. and 12:00 noon on Tuesday, 4 August 2020 and the latest time for lodging application is 12:00 noon on that day, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this section below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and their respective directors, officers, employees, partners, agents, representatives, advisers, affiliates or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters and/or any of their respective directors, officers, employees, partners, agents, representatives, advisers or affiliates any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective directors, officers, employees, partners, agents, representatives, advisers or affiliates will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and any of their respective directors, officers, employees, partners, agents, representatives, advisers or affiliates and any other parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

5.1 General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or in the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5.2 Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form Service Provider** at www.hkeipo.hk or in the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 July 2020 until 11:30 a.m. on Tuesday, 4 August 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 August 2020 or such later time under the paragraph headed “10. Effects of bad weather and/or extreme conditions on the opening of the applications lists” in this section below.

5.3 No Multiple Applications

If you apply by means of **HK eIPO White Form service**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form service** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

5.4 Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

5.5 Environmental Protection

The advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sponsor encourage you to utilize this application channel should you desire the Public Offer Shares to be issued under your own name.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

6.1 General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<http://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F., One & Two Exchange Square, 8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

6.2 Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated to you under the application;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and any of their respective directors, officers, employees, partners, agents, representatives, advisers or affiliates or any other person involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them;
 - confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in making your application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and their respective directors, officers, employees, partners, agents, representatives, advisers, affiliates or any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters and/or any of their respective directors, officers, employees, partners, agents, representatives, advisers or affiliates any personal data which they may require about you and the person(s) for whose benefit you have made under the application;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association; and
- agree that your application will be governed by the Laws of Hong Kong.

6.3 Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6.4 Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

6.5 Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 30 July 2020	—	9:00 a.m. to 8:30 p.m.
Friday, 31 July 2020	—	8:00 a.m. to 8:30 p.m.
Saturday, 1 August 2020	—	8:00 a.m. to 1:00 p.m.
Monday, 3 August 2020	—	8:00 a.m. to 8:30 p.m.
Tuesday, 4 August 2020	—	8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 July 2020 until 12:00 noon on Tuesday, 4 August 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 4 August 2020, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section below.

6.6 No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6.7 Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6.8 Personal Data

The section of the Application Forms headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, and any of their respective directors, officers, affiliates, employees, agents, representatives or advisers about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 4 August 2020.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE**, and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or in the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Public Offer — Pricing — Determining the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- “extreme conditions” caused by super typhoons,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 August 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 August 2020 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal or “extreme conditions” caused by super typhoons in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 13 August 2020 on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of our Company at www.chikanck.com and the Stock Exchange at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 13 August 2020;
- from the designated results of allocations websites at www.tricor.com.hk/ipo/result and www.hkeipo.hk/iporesult or the IPO App with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 13 August 2020 to 12:00 mid-night on Wednesday, 19 August 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 13 August 2020 to Tuesday, 18 August 2020 (excluding Saturday, Sunday and public holiday in Hong Kong); and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 13 August 2020 to Monday, 17 August 2020 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provision) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provision) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or in the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sponsor or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 12,500,000 Public Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.64 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Public Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 13 August 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Thursday, 13 August 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. (Hong Kong time) on Friday, 14 August 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

14.1 Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 13 August 2020 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 13 August 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 13 August 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 13 August 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(iv) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 August 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(v) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 13 August 2020, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 13 August 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 13 August 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “11. Publication of results” in this section above on Thursday, 13 August 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 August 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 13 August 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 13 August 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from our Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHI KAN HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Chi Kan Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-49, which comprises the consolidated statements of financial position of the Group as at 31 March 2018, 2019 and 2020, the statements of financial position of the Company as at 31 March 2019 and 2020 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 March 2018, 2019 and 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-49 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 July 2020 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the 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 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 presentation and preparation set out in Notes 1.3 and 2.1 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 directors, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 March 2019 and 2020 and the consolidated financial position of the Group as at 31 March 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on 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, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 21 to the Historical Financial Information which contains information about the dividends paid by the Company or the companies comprising the Group in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

30 July 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March		
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	6	1,013,668	525,153	685,853
Cost of revenue	7	<u>(936,462)</u>	<u>(469,172)</u>	<u>(612,764)</u>
Gross profit		77,206	55,981	73,089
Other income	6	–	–	50
Listing expenses		–	–	(13,278)
Administrative expenses	7	<u>(3,497)</u>	<u>(6,589)</u>	<u>(9,506)</u>
Operating profit		<u>73,709</u>	<u>49,392</u>	<u>50,355</u>
Finance income	9	55	8	15
Finance costs	9	<u>–</u>	<u>(10)</u>	<u>(39)</u>
Finance income/(costs), net	9	<u>55</u>	<u>(2)</u>	<u>(24)</u>
Profit before income tax		73,764	49,390	50,331
Income tax expense	10	<u>(12,138)</u>	<u>(7,833)</u>	<u>(10,730)</u>
Profit and total comprehensive income for the year and attributable to owners of the Company		<u><u>61,626</u></u>	<u><u>41,557</u></u>	<u><u>39,601</u></u>
Earnings per share attributable to owners of the Company for the year (expressed in HK\$ per share)				
Basic and diluted	11	<u><u>6,521</u></u>	<u><u>4,398</u></u>	<u><u>4,062</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March		
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
ASSETS				
Non-current assets				
Property and equipment	12	681	1,693	2,021
Deposits	15	38	–	77
		<u>719</u>	<u>1,693</u>	<u>2,098</u>
Current assets				
Trade receivables	14(a)	77,330	83,101	28,416
Contract assets	14(b)	166,391	107,523	184,805
Prepayments, deposits and other receivables	15	76	176	3,709
Amount due from a director	8, 22(c)	–	3,196	–
Cash and cash equivalents	16	71,846	25,762	33,310
		<u>315,643</u>	<u>219,758</u>	<u>250,240</u>
Total assets		<u>316,362</u>	<u>221,451</u>	<u>252,338</u>
CAPITAL AND RESERVES				
Share capital	20	–	–*	–*
Share premium	20	–	–	11,000
Reserves		<u>143,971</u>	<u>185,528</u>	<u>181,668</u>
Total equity		<u>143,971</u>	<u>185,528</u>	<u>192,668</u>
LIABILITIES				
Non-current liabilities				
Accruals and other payables	18	–	1,000	217
Lease liabilities	19	64	851	675
		<u>64</u>	<u>1,851</u>	<u>892</u>
Current liabilities				
Trade payables	17	20,453	5,458	38,052
Accruals and other payables	18	7,003	9,083	16,527
Amounts due to related companies	22(c)	22,714	10,301	–
Amount due to a director	22(c)	110,958	52	–
Lease liabilities	19	348	566	540
Current income tax liabilities		<u>10,851</u>	<u>8,612</u>	<u>3,659</u>
		<u>172,327</u>	<u>34,072</u>	<u>58,778</u>
Total liabilities		<u>172,391</u>	<u>35,923</u>	<u>59,670</u>
Total equity and liabilities		<u>316,362</u>	<u>221,451</u>	<u>252,338</u>

* Less than HK\$1,000

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March	
	Note	2019 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	23(a)	<u>8</u>	<u>155,638</u>
Current assets			
Prepayments	23(b)	–	3,650
Amounts due from subsidiaries	23(f)	–	60,641
Cash and cash equivalents	23(c)	<u>399</u>	<u>1,452</u>
		<u>399</u>	<u>65,743</u>
Total assets		<u>407</u>	<u>221,381</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	–*	–*
Share premium	20	–	11,000
Reserves	23(d)	<u>(658)</u>	<u>156,100</u>
Total equity		<u>(658)</u>	<u>167,100</u>
LIABILITIES			
Current liabilities			
Amount due to a director	23(f)	52	–
Amounts due to subsidiaries	23(f)	–	50,819
Accruals and other payables	23(e)	<u>1,013</u>	<u>3,462</u>
Total liabilities		<u>1,065</u>	<u>54,281</u>
Total equity and liabilities		<u>407</u>	<u>221,381</u>

* As at 31 March 2019 and 2020, the share capital are approximately HK\$7 and HK\$100 respectively.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (Note 20)	Share premium HK\$'000 (Note 20)	Capital reserve HK\$'000 (Note a)	Retained earnings HK\$'000	
As at 1 April 2017	-	-	300	82,045	82,345
Profit and total comprehensive income for the year	-	-	-	61,626	61,626
As at 31 March 2018	-	-	300	143,671	143,971
As at 1 April 2018	-	-	300	143,671	143,971
Profit and total comprehensive income for the year	-	-	-	41,557	41,557
Issuance of ordinary shares of the Company	-*	-	-	-	-*
As at 31 March 2019	-*	-	300	185,228	185,528
As at 1 April 2019	-*	-	300	185,228	185,528
Profit and total comprehensive income for the year	-	-	-	39,601	39,601
Distribution to Controlling Shareholder	-	-	(300)	-	(300)
Issuance of ordinary shares of the Company	-*	11,000	-	-	11,000
Dividend (Note 21)	-	-	-	(43,161)	(43,161)
As at 31 March 2020	-*	11,000	-	181,668	192,668

* Less than HK\$1,000

Note a: Capital reserves as at 31 March 2018 and 2019 represent combined share capital of the companies comprising the Group before the completion of the Reorganisation as explained in Note 1.2 below.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March		
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Cash flows from operating activities				
Cash generated from operations	24(a)	35,651	90,382	68,084
Income tax paid		(8,597)	(10,072)	(15,683)
Net cash generated from operating activities		<u>27,054</u>	<u>80,310</u>	<u>52,401</u>
Cash flows from investing activities				
Payments for property and equipment		–	(192)	(703)
Interest received		55	8	15
Net cash generated from/(used in) investing activities		<u>55</u>	<u>(184)</u>	<u>(688)</u>
Cash flows from financing activities				
Listing expenses paid		–	–	(2,867)
Advances from a director	24(c)	93,864	7,384	2,844
Repayment/payment to a director	24(c)	(52,633)	(121,486)	(43,161)
Advances from related companies	24(c)	1,150	–	–
Repayment to related companies	24(c)	(26)	(12,413)	(10,301)
Payments of lease liabilities				
– principal element	24(c)	(588)	(685)	(641)
Interest paid		–	(10)	(39)
Proceeds from share subscription of ordinary shares of the Company		–	1,000	10,000
Issuance of ordinary shares of the Company		–	–*	–*
Net cash generated from/(used in) financing activities		<u>41,767</u>	<u>(126,210)</u>	<u>(44,165)</u>
Increase/(decrease) in cash and cash equivalents		68,876	(46,084)	7,548
Cash and cash equivalents at beginning of the year		<u>2,970</u>	<u>71,846</u>	<u>25,762</u>
Cash and cash equivalents at end of the year		<u><u>71,846</u></u>	<u><u>25,762</u></u>	<u><u>33,310</u></u>

* Less than HK\$1,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries comprising the group (together the "**Group**") are principally engaged in the provision of formwork services and other construction services in Hong Kong (the "**Listing Business**").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Listing Business was carried out by (i) Chi Kan Woodworks Company Limited (the "**Operating Company**"); and (ii) the formwork services business division of Chi Kan Engineering Company Limited (the "**Portion of the Listing Business Held by CK Engineering**"). Mr. Lo Hon Kwong ("**Mr. Lo**" or the "**Controlling Shareholder**") is the controlling party of the Operating Company and Chi Kan Engineering Company Limited ("**CK Engineering**").

The Operating Company was engaged in the provision of formwork services and other construction services in Hong Kong during the Track Record Period and Mr. Lo was the controlling shareholder of the Operating Company throughout the Track Record Period. The Operating Company was owned as to 96.7% and 3.3% by Mr. Lo and Mr. Mar Ho Yuen, directors of the Operating Company, respectively from incorporation. On 21 April 2017, pursuant to a sale and purchase agreement entered into between Mr. Lo and Clever Universal Company Limited ("**Clever Universal**"), Mr. Lo transferred 10% shares of the Operating Company to Clever Universal at the consideration of HK\$12,000,000 which was settled by the issuance of a promissory note by Clever Universal. On 13 June 2018, Mr. Mar Ho Yuen transferred all of his shares to Mr. Lo at the consideration of HK\$2,550,000. As a result, the Operating Company was owned as to 90% and 10% by Mr. Lo and Clever Universal, respectively.

Pursuant to the group reorganisation explained in (i) below, Clever Universal transferred its shareholding of the Operating Company to the Group at par and effectively received 10% of the issued share capital of the Company at par. On 10 September 2019, Mr. Lo and Clever Universal entered into a termination agreement to unwind the above transactions. Clever Universal transferred its entire shareholdings in the Company back to Mr. Lo and Mr. Lo refunded Renminbi ("**RMB**") 3,000,000, which was equivalent to the amount paid by Clever Universal to Mr. Lo for partial redemption of the promissory note and cancellation of the remaining promissory note. After the said transfer, the Company became wholly-owned by Mr. Lo.

CK Engineering was wholly-owned by Mr. Lo and his spouse throughout the Track Record Period. CK Engineering was engaged in property rental and provision of formwork services in Hong Kong during the Track Record Period, and will not be included as one of the subsidiaries of the Group upon completion of the Reorganisation. The Portion of the Listing Business Held by CK Engineering relates to certain projects subcontracted from the Operating Company to CK Engineering. The consolidated statements of financial position of the Group included all assets and liabilities of the Portion of the Listing Business Held by CK Engineering, and the consolidated statements of comprehensive income of the Group included all revenue, related costs, expense and charges of the Portion of the Listing Business Held by CK Engineering after elimination of inter-company transactions. As at the date of this report, CK Engineering has completed all the formwork services related to the Listing Business and has ceased to engage in the Listing Business.

In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganisation which principally involved the following steps:

(i) *Group reorganisation*

On 16 April 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and 100 shares were allotted and issued as fully paid at par to Magnificent Faith Limited ("Magnificent Faith"), which is wholly-owned by Mr. Lo.

Pursuant to the group reorganisation, the subsidiaries of the Group (as disclosed in the table below), except for the Operating Company, were incorporated by the Company or its various intermediate holding companies and are wholly-owned by the Company. The Operating Company was transferred to the Group through a share swap whereby the then shareholders of the Operating Company transferred their respective shareholdings in the Operating Company to an intermediate holding company within the Group and the Company allotted and issued 280 shares as fully paid to the then shareholders of the Operating Company on 17 June 2019.

On 20 June 2018 and 13 September 2019, additional 620 shares and 8,450 shares, respectively, were allotted and issued as fully paid to Magnificent Faith at par.

(ii) *Pre-IPO investment*

On 22 October 2018, Mr. Lo, Magnificent Faith and CT Vision Strategic Company Limited ("CT Vision") entered into a pre-IPO Agreement ("Pre-IPO Agreement") pursuant to which CT Vision subscribed for 550 new shares in the Company at the consideration of HK\$11,000,000. The aforesaid subscription and transfer were properly and legally completed on 16 September 2019. HK\$1,000,000 was received during the year ended 31 March 2019 while the remaining HK\$10,000,000 was received in April 2019. Further, on 16 September 2019, Magnificent Faith transferred 2,000 shares in the Company to CT Vision at the consideration of HK\$40,000,000 pursuant to the Pre-IPO Agreement.

After the Reorganisation, Magnificent Faith and CT Vision owned 7,450 shares and 2,550 shares in the Company respectively, which represented 74.5% and 25.5% of the entire issued share capital of the Company respectively.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	Country/ Place and date of incorporation/ establishment	Principal activities/ Place of operation	Registered/ Issued and paid-up capital	Attributable equity interest of the Group				Note
				2018	31 March 2019	2020	As at the date of this report	
Directly held								
Chi Kan Engineering Technology Company Limited	British Virgin Islands ("BVI"), 11 April 2019	Investment holding, BVI	US\$50,000	N/A	N/A	100%	100%	(1), (2)
Indirectly held								
Chi Kan Group (BVI) Limited	BVI, 18 September 2018	Investment holding, BVI	US\$1,000	N/A	100%	100%	100%	(1), (2)
Chi Kan Technology Development Limited	BVI, 12 April 2019	Investment holding, BVI	US\$50,000	N/A	N/A	100%	100%	(1), (2)

Name	Country/ Place and date of incorporation/ establishment	Principal activities/ Place of operation	Registered/ Issued and paid-up capital	Attributable equity interest of the Group				Note
							As at the date of this report	
				2018	31 March 2019	2020	100%	
Chi Kan Strategy Limited	Hong Kong ("HK"), 30 April 2019	Investment holding, HK	HK\$1	N/A	N/A	100%	100%	(1), (4)
Chi Kan Woodworks Company Limited	HK, 23 September 2011	Formwork services and other construction services, HK	HK\$300,000	100%	100%	100%	100%	(1), (3)
Chi Kan Engineering (Yangzhou) Investment Company Limited ("CK Yangzhou")	The People Republic of China (the "PRC"), 15 July 2019	Investment holding, the PRC	US\$30,000,000	N/A	N/A	100%	100%	(1), (4), (5)
Nanjing Zhixin Construction Technology Company Limited ("CK Nanjing")	The PRC, 9 August 2019	Investment holding, the PRC	RMB5,000,000	N/A	N/A	100%	100%	(1), (4), (5)

Notes:

- (1) Except for CK Yangzhou and CK Nanjing which adopted 31 December as their financial year end date because of statutory requirement, all companies comprising the Group have adopted 31 March as their financial year end date.
- (2) No audited financial statements were issued for these companies as there is no statutory requirement in their place of incorporation.
- (3) The statutory financial statements for the years ended 31 March 2018 and 2019 were audited by Miracle CPA Limited. As at the date of this report, no audited financial statements have been issued for this Company for the year ended 31 March 2020.
- (4) No audited financial statements have been issued for these companies since their respective dates of incorporation.
- (5) The English names of these companies represent the directors' best effort at translating the Chinese names of the companies as no English names have been registered.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been held by and conducted through the Operating Company and CK Engineering, which are ultimately controlled by the Controlling Shareholder. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and for the purpose of this report, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all years presented.

The Historical Financial Information of the Portion of the Listing Business Held by CK Engineering for the Track Record Period was included in the following manner:

- Transactions and balances of CK Engineering specifically identified as relating to the Listing Business were combined in the Historical Financial Information, while those specifically identified as relating to the property rental business were not included in the Historical Financial Information. The net profit from the Portion of the Listing Business Held by CK Engineering combined in the Historical Financial Information amounted to approximately HK\$59,000, HK\$1,113,000 and HK\$nil for the years ended 31 March 2018, 2019 and 2020 respectively, and the net (liabilities)/assets from the Portion of the Listing Business Held by CK Engineering combined in the Historical Financial Information amounted to approximately HK\$(284,000), HK\$830,000 and HK\$nil as at 31 March 2018, 2019 and 2020 respectively;
- There were no material expenses incurred by CK Engineering or material assets or liabilities held by CK Engineering which were not specifically identified as relating to either the Listing Business or the property rental business;
- Current and deferred income taxes on profits attributable to the Listing Business calculated on the above basis are provided for using the domestic tax rates applicable to different subsidiaries of the Group. The Group utilised tax loss associated with CK Engineering where the related tax impact amounted to approximately HK\$10,000, HK\$184,000 and HK\$nil for the years ended 31 March 2018, 2019 and 2020 respectively; and
- Inter-company transactions and balances between group companies including the Portion of the Listing Business Held by CK Engineering were eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and are set out below. The Group has consistently adopted HKFRS 9 “Financial Instruments” (“HKFRS 9”), HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) and HKFRS 16 “Leases” (“HKFRS 16”) throughout the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 below.

New standards and amendments not yet adopted by the Group

The following new accounting standards and amendments which have been published and are mandatory for the Group's accounting periods beginning after 1 April 2020 or later periods but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 April 2020
HKFRS 3 (Amendments)	Definition of business	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting (Amendments)	1 April 2020
HKFRS 16 (Amendments)	COVID-19 – Related Rent Concessions	1 June 2020
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 April 2022
HKAS 16 (Amendments)	Proceeds before intended use	1 April 2022
HKAS 37 (Amendments)	Onerous contracts – costs of fulfilling a contract	1 April 2022
HKFRS 3 (Amendments)	Update reference to the conceptual framework	1 April 2022
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments to existing standards when they become mandatory.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated statements of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.4 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in HK\$, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are presented at the closing rate at the date of that consolidated statement of financial position
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to consolidated statements of comprehensive income, as part of the gain or loss on sale.

2.5 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Leasehold improvement	20% or over the lease term, whichever is shorter
Motor vehicles under hire purchase arrangement	30% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

Right-of-use assets comprise properties and motor vehicles are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

(i) Classification

The Group classifies its financial assets as measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statements of comprehensive income. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

(iv) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables or assets, see Note 3.1(b)(ii) for further details.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include deposits held at call with banks, cash on hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the credit term. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Finance costs

Finance costs are recognised in consolidated statements of comprehensive income in the period in which they are incurred.

2.14 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.15 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(ii) Pension obligations

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK\$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses taking into consideration the profit of the Group. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Share-based payments

Equity-settled share-based payments transactions are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted. The share-based payments is recognised as expenses in accordance with HKFRS 2, "Share-based payment" unless the goods or services qualify for recognition as assets.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition*(a) Recognition*

The Group provides formwork services and other construction services under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from provision of formwork services and other construction services is therefore recognised over time for each individual contract by using output method, i.e. on the basis of measurement of the value of services transferred to the customer to date. The measurement is based on surveys of formwork services and other construction services completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers and adjusted by the estimated value of work performed but which is yet to be certified at each of the reporting date. The management of the Group considers that output method would faithfully depict the Group's performance towards satisfaction of performance obligation under HKFRS 15.

Variable consideration

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that 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.

When there is change in circumstances, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to better predict the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customers or the Group with a significant benefit of financing the transfer of services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties of the contracts.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

Warranty

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37, "Provision, Contingent Liabilities and Contingent Assets" as the warranty provides the customer with assurance that the contracting work complies with the agreed-upon specifications.

(b) *Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

(c) *Contract assets and contract liabilities*

The Group does not receive any prepayment from customers. The revenue recognised from a construction project is commensurate with the value of the works performed by the Group.

In accordance with the terms of the contracts entered into with customers, the Group is required to submit to customers monthly payment applications for the value of work done under the contracts along with any variation orders performed. Customers will settle normally in 30 days after certifying our monthly payment applications based on their assessment of work done by the Group. Customers usually retain an amount up to 10% of the value of work done, subject to a maximum limit of 5% of the total contract sum as retention money for the contract. 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 defect liability period or a pre-agreed time period which normally ranges from six to twenty-four months after the completion date.

A contract asset represents the Group's right to consideration from customers in exchange for the provision of formwork services and other construction services that the Group has transferred to the customers that is not yet unconditional. Contract assets arise when the Group has provided the formwork services and other construction services under the relevant contracts but the works have yet to be certified by architects, surveyors or other representatives appointed by the customers and/or the Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when the Group's right to payment becomes unconditional other than passage of time.

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

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.20 Leases

The Group leases various properties for the use of office and motor vehicles. Leases are typically made for fixed periods of one to five years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use of property included in property and equipment and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined. Otherwise, the Group's incremental borrowing rate is used.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. Short-term leases are leases with a lease term of less than 12 months.

Extension options are included in a number of property leases in the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. Extension options are included in lease term only if the Group, as lessee, reasonably certain to exercise the extension option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and within control of the Group as lessee.

2.21 Earnings per share*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.23 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT**3.1 Financial risk factors**

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Information from the consolidated statements of comprehensive income has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets or liabilities. Thus, the interest income or expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

*(b) Credit risk**(i) Risk management*

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from contract assets, cash and cash equivalents, trade receivables, amount due from a director, deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to these assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 March 2018, 2019 and 2020.

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 Group 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 Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2018, 2019 and 2020 on trade receivables and contract assets from the Group's top five customers amounted to approximately HK\$223,546,000, HK\$181,524,000 and HK\$199,546,000, respectively and accounted for 91.7%, 95.2% and 93.6% of trade receivables and contract assets of the Group, respectively. These customers have no significant financial difficulty and/or historical default experience.

(ii) Impairment of financial assets and contract assets

Trade receivables and contract assets

The Group 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 Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has performed historical analysis based on the background 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.

Management assessed that the expected credit loss rate and loss allowances for these balances to be insignificant during the Track Record Period.

Other financial assets at amortised cost

The credit quality of the other receivables and the amount due from a director has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of the other receivables and the amount due from a director is low due to the sound financial position or collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables and the amount due from a director is assessed to be close to zero and no provision was made as at 31 March 2018, 2019 and 2020.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand or within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
As at 31 March 2018					
- Trade payables	20,453	-	-	20,453	20,453
- Accruals and other payables	97	-	-	97	97
- Amounts due to related companies	22,714	-	-	22,714	22,714
- Amount due to a director	110,958	-	-	110,958	110,958
- Lease liabilities	348	64	-	412	412
	<u>154,570</u>	<u>64</u>	<u>-</u>	<u>154,634</u>	<u>154,634</u>
As at 31 March 2019					
- Trade payables	5,458	-	-	5,458	5,458
- Accruals and other payables	97	-	-	97	97
- Amounts due to related companies	10,301	-	-	10,301	10,301
- Amount due to a director	52	-	-	52	52
- Lease liabilities	583	511	368	1,462	1,417
	<u>16,491</u>	<u>511</u>	<u>368</u>	<u>17,370</u>	<u>17,325</u>
As at 31 March 2020					
- Trade payables	38,052	-	-	38,052	38,052
- Accruals and other payables	3,564	-	-	3,564	3,564
- Lease liabilities	553	553	137	1,243	1,215
	<u>42,169</u>	<u>553</u>	<u>137</u>	<u>42,859</u>	<u>42,831</u>

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Lease liabilities	412	1,417	1,215
Amounts due to related companies	22,714	10,301	–
Amount due to a director	110,958	52	–
Less: cash and cash equivalents	<u>(71,846)</u>	<u>(25,762)</u>	<u>(33,310)</u>
Net debt/(net cash)	<u>62,238</u>	<u>(13,992)</u>	<u>(32,095)</u>
Total equity	<u>143,971</u>	<u>185,528</u>	<u>192,668</u>
Net debt to equity ratio	<u>43.2%</u>	<u>N/A</u>	<u>N/A</u>

The change in net debt to equity ratio is related to decrease in debts and profit derived during the Track Record Period.

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including trade receivables, deposits and other receivables, amount due from a director and cash and cash equivalents, and current financial liabilities, including trade payables, accruals and other payables, amounts due to related companies, amount due to a director and lease liabilities approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Measurement of value of construction works

Management measures the value of completed construction work based on output method, which is to recognise revenue on the basis of measurement of the value of construction works transferred to the

customers. The management's estimate of the progress of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.

Management has periodically measured the value of the construction work completed for each construction project based on certification performed by architects, surveyors or other representatives appointed by the customers and estimated the value of work which is completed but yet to be certified at each of the end of reporting period. Management estimated the value of work which is completed but yet to be certified based on surveys carried out by internal technicians and revisited with reference to certification subsequently performed by architects, surveyors or other representatives appointed by the customers. The Group regularly reviews and revises the estimation of construction contract progresses whenever there is any change in circumstances. As at 31 March 2018, 2019 and 2020, the value of work which is completed but yet to be certified was disclosed in Note 14(b).

5 SEGMENT INFORMATION

The CODM has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of providing formwork services and other construction services in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

The Company is domiciled in the Cayman Islands. As at 31 March 2018, 2019 and 2020, all non-current assets of the Group are located in Hong Kong.

The Group's revenue are all derived from external customers in Hong Kong for the Track Record Period. During the years ended 31 March 2018, 2019 and 2020, revenue from 2, 3 and 2 customers, respectively, individually contributed over 10% of the Group's revenue. The revenue from each of these customers during the Track Record Period are summarised below:

	Year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Customer A	658,267	305,646	410,458
Customer B	110,924	N/A ^(a)	N/A ^(a)
Customer C	N/A ^(a)	109,223	134,668
Customer D	N/A ^(a)	58,049	N/A ^(a)
	<u> </u>	<u> </u>	<u> </u>

Note:

- (a) The corresponding customers did not contribute over 10% of the total revenue of the Group for the specific year.

6 REVENUE AND OTHER INCOME

Revenue and other income recognised during the Track Record Period, are as follows:

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Contract revenue:			
Formwork services	978,647	499,968	683,151
Other construction services	35,021	25,185	2,702
	<u>1,013,668</u>	<u>525,153</u>	<u>685,853</u>
Other income:			
Sundry income	–	–	50
	<u>–</u>	<u>–</u>	<u>50</u>

All contract revenue is recognised over time.

7 EXPENSES BY NATURE

Expenses included in cost of revenue and administrative expenses are analysed as follows:

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Subcontracting charges	630,863	347,368	304,810
Material costs	196,318	61,141	150,980
Employee benefits expenses, including directors' emoluments (<i>Note a</i>)	98,497	57,109	159,194
Depreciation (<i>Note 12</i>)	707	870	930
Legal and professional fees	7	606	1,109
Auditors' remuneration			
– Audit services	95	97	97
– Non-audit services	–	305	–
Short-term lease expense	299	357	342
Write-off of leasehold improvement	–	–	101
Others	13,173	7,908	4,707
	<u>939,959</u>	<u>475,761</u>	<u>622,270</u>
Total cost of revenue and administrative expenses	<u>939,959</u>	<u>475,761</u>	<u>622,270</u>

Notes:

- (a) Employee benefits expenses, including directors' emoluments

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Wages, salaries, bonuses and other benefits	94,582	54,884	152,873
Pension costs – defined contribution plans	<u>3,915</u>	<u>2,225</u>	<u>6,321</u>
	<u>98,497</u>	<u>57,109</u>	<u>159,194</u>
Amount included in cost of revenue	96,802	52,894	154,723
Amount included in administrative expenses	<u>1,695</u>	<u>4,215</u>	<u>4,471</u>
	<u>98,497</u>	<u>57,109</u>	<u>159,194</u>

- (b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group included 1 director for the Track Record Period, whose remuneration is reflected in the analysis presented in Note 8(a) below.

The remunerations paid to the remaining 4 individuals for the Track Record Period are as follows:

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Wages, salaries, bonuses and other benefits	2,173	3,332	2,818
Pension costs – defined contribution plans	<u>72</u>	<u>72</u>	<u>76</u>
	<u>2,245</u>	<u>3,404</u>	<u>2,894</u>

The remunerations of the highest paid employees who are not directors of the Company fell within the following bands:

	Number of employees		
	Year ended 31 March		
	2018	2019	2020
HK\$500,001 to HK\$1,000,000	4	3	4
Above HK\$1,000,000	<u>–</u>	<u>1</u>	<u>–</u>
	<u>4</u>	<u>4</u>	<u>4</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Company paid and payable by the Group for the Track Record Period are set out below:

For the year ended 31 March 2018:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Lo Hon Kwong	-	580	-	-	18	598
Ms. Chan May Kiu	-	300	80	-	15	395
	<u>-</u>	<u>880</u>	<u>80</u>	<u>-</u>	<u>33</u>	<u>993</u>

For the year ended 31 March 2019:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Lo Hon Kwong	-	610	-	-	18	628
Ms. Chan May Kiu	-	330	100	-	16	446
	<u>-</u>	<u>940</u>	<u>100</u>	<u>-</u>	<u>34</u>	<u>1,074</u>

For the year ended 31 March 2020:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Lo Hon Kwong	-	600	100	-	18	718
Ms. Chan May Kiu	-	420	70	-	18	508
Non-executive director:						
Mr. Yang Tao	-	-	-	-	-	-
	<u>-</u>	<u>1,020</u>	<u>170</u>	<u>-</u>	<u>36</u>	<u>1,226</u>

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Company and no directors waived any emolument during the Track Record Period.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Company and no emoluments were paid by the Company or the Operating Company to the directors as an inducement to join the Company or the Operating Company, or as compensation for loss of office during the Track Record Period.

Mr. Yang Tao was appointed as the Company's non-executive director on 9 August 2019. Sr. Dr. Leung Tony Ka Tung, Ms. Chan Sze Man and Mr. Jiang Jungan were appointed as the Company's independent non-executive directors on 17 July 2020. During the Track Record Period, these directors did not receive any remuneration.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and connected entities with such directors

Quasi-loans or credit transactions:

Name of director	Outstanding amount at the beginning of the year <i>HK\$'000</i>	Outstanding amount at the end of the year <i>HK\$'000</i>	Maximum outstanding during the year <i>HK\$'000</i>
Year ended 31 March 2019			
Mr. Lo Hon Kwong	–	3,196	3,196

Name of director	Outstanding amount at the beginning of the year <i>HK\$'000</i>	Outstanding amount at the end of the year <i>HK\$'000</i>	Maximum outstanding during the year <i>HK\$'000</i>
Year ended 31 March 2020			
Mr. Lo Hon Kwong	3,196	–	43,461

The balance was unsecured, interest-free and repayable on demand (also see Note 22(c)).

(f) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 22, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 March 2018, 2019 and 2020, or at any time during the Track Record Period.

9 FINANCE INCOME/(COSTS), NET

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Finance income			
Bank interest income	55	8	15
Finance costs on:			
– lease liabilities	–	(10)	(18)
– bank overdrafts	–	–	(21)
	<u>–</u>	<u>(10)</u>	<u>(39)</u>
Finance income/(costs), net	<u>55</u>	<u>(2)</u>	<u>(24)</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

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\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s companies with estimated assessable profits for annual reporting periods ending on or after 1 April 2018.

The provision for Corporate Income Tax in the PRC is calculated at 25%. No provision for current taxation has been made because the entities of the Group in the PRC has no assessable profits for taxation purpose.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the BVI or the Cayman Island as they are exempted from tax in these jurisdictions.

The amount of income tax expense charged to the consolidated statements of comprehensive income represents:

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Current income tax			
– Hong Kong profits tax	12,138	7,833	10,730
	<u>12,138</u>	<u>7,833</u>	<u>10,730</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the group entities as follows:

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Profit before income tax	<u>73,764</u>	<u>49,390</u>	<u>50,331</u>
Tax calculated at domestic tax rates applicable to different subsidiaries of the Group	12,171	8,149	8,304
Tax effect under two-tiered profits tax rates regime	–	(165)	(165)
Expenses not deductible for tax purposes	16	54	2,613
Income not subject to tax	(9)	(1)	(2)
Tax effect of utilisation of tax losses of CK Engineering	(10)	(184)	–
Tax concession	<u>(30)</u>	<u>(20)</u>	<u>(20)</u>
Income tax expense	<u><u>12,138</u></u>	<u><u>7,833</u></u>	<u><u>10,730</u></u>

11 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 March		
	2018	2019	2020
Profit attributable to owners of the Company (in HK\$'000)	61,626	41,557	39,601
Weighted average number of ordinary shares in issue	<u>9,450</u>	<u>9,450</u>	<u>9,748</u>
Earnings per share (HK\$ per share)	<u><u>6,521</u></u>	<u><u>4,398</u></u>	<u><u>4,062</u></u>

For the purpose of calculating the weighted average number of ordinary shares in issue:

- (i) 9,450 ordinary shares of the Company issued during the Reorganisation as explained in Note 1.2 were treated as if they had been issued prior to 1 April 2017.
- (ii) 550 ordinary shares of the Company issued to CT Vision at fair value as explained in Note 1.2 were treated as being issued on 16 September 2019.

The earnings per share has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 17 July 2020 because the proposed capitalisation issue has not been effected as at the date of this report.

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the Track Record Period.

12 PROPERTY AND EQUIPMENT

	Right-of-use of property <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture, fixture and equipment <i>HK\$'000</i>	Motor vehicles under hire purchase arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2017					
Cost	1,404	507	87	390	2,388
Accumulated depreciation	<u>(644)</u>	<u>(171)</u>	<u>(35)</u>	<u>(390)</u>	<u>(1,240)</u>
Net book amount	<u>760</u>	<u>336</u>	<u>52</u>	<u>-</u>	<u>1,148</u>
Year ended 31 March 2018					
Opening net book amount	760	336	52	-	1,148
Remeasurement of right-of-use assets (<i>Note</i>)	240	-	-	-	240
Depreciation	<u>(588)</u>	<u>(101)</u>	<u>(18)</u>	<u>-</u>	<u>(707)</u>
Closing net book amount	<u>412</u>	<u>235</u>	<u>34</u>	<u>-</u>	<u>681</u>
As at 31 March 2018					
Cost	1,644	507	87	-	2,238
Accumulated depreciation	<u>(1,232)</u>	<u>(272)</u>	<u>(53)</u>	<u>-</u>	<u>(1,557)</u>
Net book amount	<u>412</u>	<u>235</u>	<u>34</u>	<u>-</u>	<u>681</u>

	Right-of-use of property HK\$'000	Leasehold improvement HK\$'000	Furniture, fixture and equipment HK\$'000	Motor vehicles under hire purchase arrangement HK\$'000	Total HK\$'000
Year ended 31 March 2019					
Opening net book amount	412	235	34	–	681
Remeasurement of right-of-use assets (<i>Note</i>)	1,290	–	–	–	1,290
Additions	–	–	35	557	592
Depreciation	(650)	(101)	(22)	(97)	(870)
Closing net book amount	<u>1,052</u>	<u>134</u>	<u>47</u>	<u>460</u>	<u>1,693</u>
As at 31 March 2019					
Cost	2,934	507	122	557	4,120
Accumulated depreciation	(1,882)	(373)	(75)	(97)	(2,427)
Net book amount	<u>1,052</u>	<u>134</u>	<u>47</u>	<u>460</u>	<u>1,693</u>
Year ended 31 March 2020					
Opening net book amount	1,052	134	47	460	1,693
Remeasurement of right-of-use assets (<i>Note</i>)	(910)	–	–	–	(910)
Additions	1,349	920	–	–	2,269
Depreciation	(566)	(173)	(24)	(167)	(930)
Written-off	–	(101)	–	–	(101)
Closing net book amount	<u>925</u>	<u>780</u>	<u>23</u>	<u>293</u>	<u>2,021</u>
As at 31 March 2020					
Cost	1,349	923	122	557	2,951
Accumulated depreciation	(424)	(143)	(99)	(264)	(930)
Net book amount	<u>925</u>	<u>780</u>	<u>23</u>	<u>293</u>	<u>2,021</u>

Note: The amount represents the remeasurement of carrying amount to reflect a remeasurement of lease liabilities arising from lease modification or early termination.

Depreciation expense of approximately HK\$707,000, HK\$870,000 and HK\$930,000 for the years ended 31 March 2018, 2019 and 2020 respectively, has been recorded in administrative expenses.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Financial assets			
<i>Financial assets at amortised cost</i>			
Trade receivables	77,330	83,101	28,416
Deposits and other receivables	114	176	136
Amount due from a director	–	3,196	–
Cash and cash equivalents	71,846	25,762	33,310
	<u>149,290</u>	<u>112,235</u>	<u>61,862</u>
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade payables	20,453	5,458	38,052
Accruals and other payables	97	97	3,564
Amount due to related companies	22,714	10,301	–
Amount due to a director	110,958	52	–
Lease liabilities	412	1,417	1,215
	<u>154,634</u>	<u>17,325</u>	<u>42,831</u>

14 (a) TRADE RECEIVABLES

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade receivables	<u>77,330</u>	<u>83,101</u>	<u>28,416</u>

The Group's credit terms granted to third-party customers range from 14 days to 60 days.

As at 31 March 2018, 2019 and 2020, the ageing analysis of the third-party trade receivables, based on the date of certification, are as follows:

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Up to 30 days	63,722	52,970	27,795
31-90 days	13,608	18,378	–
91-180 days	–	11,753	–
Over 365 days	–	–	621
	<u>77,330</u>	<u>83,101</u>	<u>28,416</u>

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

14 (b) CONTRACT ASSETS

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Contract assets relating to			
– Uncertified work in progress	47,808	19,879	79,469
– Retention receivables	<u>118,583</u>	<u>87,644</u>	<u>105,336</u>
	<u>166,391</u>	<u>107,523</u>	<u>184,805</u>

Contract assets represent the Group's rights to considerations from customers for the provision of formwork services and other construction services, which arise when: (i) the Group 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 Group 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 Group 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 Group but is yet to be certified and the release status of retention monies throughout the Track Record Period.

In the consolidated 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 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Within 1 year	53,370	16,973	36,627
Between 1 and 2 years	46,942	41,604	11,911
Over 2 years	18,271	29,067	56,798
	<u>118,583</u>	<u>87,644</u>	<u>105,336</u>

As at 31 March 2018, 2019 and 2020, management expects that approximately HK\$45,085,000, HK\$32,992,000 and HK\$31,930,000 respectively, will be received within one year.

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

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	<u>503,902</u>	<u>488,693</u>	<u>1,064,877</u>

As at 31 March 2018, 2019 and 2020, management expects that approximately HK\$416,825,000, HK\$400,931,000 and HK\$783,774,000 respectively, will be recognised as revenue during the next reporting period and the remaining will be recognised within two years from each reporting date.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Prepayments for listing expenses	-	-	3,650
Deposits and other receivables	<u>114</u>	<u>176</u>	<u>136</u>
Prepayments, deposits and other receivables	114	176	3,786
Less: non-current portion			
Deposits	<u>(38)</u>	<u>-</u>	<u>(77)</u>
	<u>76</u>	<u>176</u>	<u>3,709</u>

The carrying amounts of deposits and other receivables approximate their fair values.

16 CASH AND CASH EQUIVALENTS

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Cash and cash equivalents	71,846	25,762	33,310

The carrying amounts of cash and cash equivalents are denominated in HK\$ and approximate their fair values.

17 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 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade payables	20,453	5,458	38,052

As at 31 March 2018, 2019 and 2020, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Up to 30 days	10,837	1,651	25,961
31-90 days	7,417	3,706	7,496
91-180 days	2,061	5	3,347
Over 180 days	138	96	1,248
	20,453	5,458	38,052

The carrying amounts of trade payables approximate their fair values.

18 ACCRUALS AND OTHER PAYABLES

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Accruals for listing expenses	-	-	3,451
Accruals for staff salaries and other benefits	6,906	8,986	12,963
Other accruals and other payables	97	1,097	330
	<u>7,003</u>	<u>10,083</u>	<u>16,744</u>
Less: Non-current portion	-	(1,000)	(217)
	<u>7,003</u>	<u>9,083</u>	<u>16,527</u>

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

19 LEASES LIABILITIES

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Current	348	566	540
Non-current	64	851	675
	<u>412</u>	<u>1,417</u>	<u>1,215</u>

The Group leases various properties for the use of office and motor vehicles. The Group has the option to purchase the motor vehicles under hire purchase arrangement. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each as at 16 April 2018 (date of incorporation of the Company)	<u>38,000,000</u>	<u>380</u>
As at 31 March 2019 and 2020	<u>38,000,000</u>	<u>380</u>

	Number of ordinary shares	Share capital HK\$'000	Share premium HK\$'000
Issued and fully paid:			
As at 16 April 2018 (date of incorporation of the Company)	100	–*	–
Issuance of ordinary shares	620	–*	–
	<u>720</u>	<u>–*</u>	<u>–</u>
As at 31 March 2019	<u>720</u>	<u>–*</u>	<u>–</u>
As at 1 April 2019	720	–*	–
Issuance of ordinary shares in relation to the Reorganisation	8,730	–*	–
Issuance of ordinary shares pursuant to the Pre-IPO Agreement	550	–*	11,000
	<u>10,000</u>	<u>–*</u>	<u>11,000</u>
As at 31 March 2020	<u>10,000</u>	<u>–*</u>	<u>11,000</u>

* Less than HK\$1,000

On 16 April 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 100 shares were allotted and issued as fully paid to Magnificent Faith at par. On 20 June 2018, additional 620 shares were allotted and issued as fully paid to Magnificent Faith at par.

On 17 June 2019 and 13 September 2019, additional 280 and 8,450 shares were issued and allotted as fully paid to the then equity holders of the Company at par as part of the Reorganisation as explained in Note 1.2 above. On 16 September 2019, pursuant to the Pre-IPO Agreement, additional 550 shares were issued and allotted as fully paid to CT Vision as explained in Note 1.2 above.

21 DIVIDENDS

Pursuant to a director's resolution dated 12 September 2019, a dividend of approximately HK\$43,161,000 was declared by the Company to the then sole equity holder of the Company. The dividend was fully settled through current account with the then equity holder of the Company. No other dividend has been paid or declared by the Company and the companies now comprising the Group to the then equity holders of these companies throughout the Track Record Period.

22 RELATED PARTIES DISCLOSURE

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following parties were related parties that had transactions or balances with the Group during the Track Record Period:

Name	Relationship with the Group
Mr. Lo Hon Kwong ("Mr. Lo")	Controlling Shareholder and Executive Director
Ms. Chan May Kiu ("Ms. Lo")	Spouse of Controlling Shareholder and Executive Director
Chi Kan Formwork Company Limited ("CK Formwork")	Mr. Lo is the key management personnel during the Track Record Period and the controlling shareholder since August 2018
CK Engineering	Controlled by Controlling Shareholder and his spouse
CT Vision	Shareholder since 16 September 2019

(a) Transactions with related parties

	Year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
(i) CK Engineering – Lease payments	360	400	70

(ii) During year ended 31 March 2019, the Group entered into a banking facility letter, which is secured by certain bank deposits of Mr. Lo, with a general banking facility amount of HK\$60,000,000. As at 31 March 2019 and 2020, no banking facilities was utilised.

(b) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	960	1,040	2,176
Retirement benefit costs – defined contribution plans	33	34	69
	<u>993</u>	<u>1,074</u>	<u>2,245</u>

(c) Related party balances

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Amount due from a director			
– Mr. Lo	–	3,196	–
	<u>–</u>	<u>3,196</u>	<u>–</u>
Amount due to a director			
– Mr. Lo	110,958	52	–
	<u>110,958</u>	<u>52</u>	<u>–</u>
Amounts due to related companies			
– CK Formwork	16,921	6,921	–
– CK Engineering	5,793	3,380	–
	<u>22,714</u>	<u>10,301</u>	<u>–</u>

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

	As at 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Lease assets			
– CK Engineering	120	980	–
	<u>120</u>	<u>980</u>	<u>–</u>
Lease liabilities			
– CK Engineering	120	980	–
	<u>120</u>	<u>980</u>	<u>–</u>

23 PARTICULARS OF THE COMPANY**(a) Investments in subsidiaries**

The investment in a subsidiary as at 31 March 2019 represent the issued and paid-up capital of Chi Kan Group (BVI) Limited held by the Company.

The investments in subsidiaries as at 31 March 2020 mainly represent the carrying values of the net assets of the Listing Business attributable to owners of the Company transferred to the Company upon the completion of the Reorganisation (Note 1.2).

(b) Prepayments

	As at 31 March	
	2019 HK\$'000	2020 HK\$'000
Prepayments for listing expenses	–	3,650
	<u>–</u>	<u>3,650</u>

(c) Cash and cash equivalents

	As at 31 March	
	2019	2020
	HK\$'000	HK\$'000
Cash and cash equivalents	399	1,452
	<u>399</u>	<u>1,452</u>

The carrying amounts of cash and cash equivalents are denominated in HK\$ and approximate their fair values.

(d) Reserve movement

	Capital reserve	Retained earnings/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000
	(Note)		
As at 16 April 2018 (date of incorporation of the Company)	-	-	-
Loss and total comprehensive loss for the period	-	(658)	(658)
	<u>-</u>	<u>(658)</u>	<u>(658)</u>
As at 31 March 2019	-	(658)	(658)
	<u>-</u>	<u>(658)</u>	<u>(658)</u>
As at 1 April 2019	-	(658)	(658)
Issuance of ordinary shares in relation to the Reorganisation	155,248	-	155,248
Profit and total comprehensive income for the year	-	44,671	44,671
Dividend	-	(43,161)	(43,161)
	<u>-</u>	<u>(43,161)</u>	<u>(43,161)</u>
As at 31 March 2020	155,248	852	156,100
	<u>155,248</u>	<u>852</u>	<u>156,100</u>

Note: Capital reserve represented the difference between the net assets value of the subsidiaries acquired and the consideration settled by issuance of the shares of the Company pursuant to the Reorganisation.

(e) Accruals and other payables

	As at 31 March	
	2019	2020
	HK\$'000	HK\$'000
Accruals for listing expenses	-	3,451
Other accruals and other payables	1,013	11
	<u>1,013</u>	<u>3,462</u>

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

(f) Balances with related parties

The balances with related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

24 CASH FLOW INFORMATION**(a) Cash generated from operations**

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Profit before income tax	73,764	49,390	50,331
Adjustments for:			
Finance income	(55)	(8)	(15)
Finance costs	–	10	39
Depreciation of property and equipment	707	870	930
Write-off of leasehold improvement	–	–	101
	74,416	50,262	51,386
Changes in working capital:			
Trade receivables	18,969	(5,771)	54,685
Contract assets	(38,645)	58,868	(77,282)
Prepayments, deposits and other receivables	19	(62)	(743)
Trade payables	(16,101)	(14,995)	32,594
Accruals and other payables	(3,007)	2,080	7,444
	35,651	90,382	68,084

Payments for short-term leases for the years ended 31 March 2018, 2019 and 2020 are approximately HK\$299,000, HK\$357,000, and HK\$342,000 respectively.

(b) Non-cash investing activities

	Year ended 31 March		
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Additions of property and equipment by means of leases:			
– Right-of-use of property	240	1,290	1,349
– Motor vehicles under hire purchase arrangement	–	400	–
Reinstatement cost included in leasehold improvement	–	–	217
	–	–	217

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group'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 future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

For the year ended 31 March 2018

	Amount due to a director HK\$'000	Amounts due to related companies HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2017	69,727	21,590	760	92,077
Financing cash flows	41,231	1,124	(588)	41,767
Non-cash transactions:				
Remeasurement of right-of-use of property	–	–	240	240
As at 31 March 2018	<u>110,958</u>	<u>22,714</u>	<u>412</u>	<u>134,084</u>

For the year ended 31 March 2019

	Amount due to/ (from) a director HK\$'000	Amounts due to related companies HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2018	110,958	22,714	412	134,084
Financing cash flows	(114,102)	(12,413)	(685)	(127,200)
Non-cash transactions:				
Remeasurement of right-of-use of property	–	–	1,290	1,290
Addition of motor vehicle under hire purchase arrangement	–	–	400	400
As at 31 March 2019	<u>(3,144)</u>	<u>10,301</u>	<u>1,417</u>	<u>8,574</u>

For the year ended 31 March 2020

	Amount due from a director HK\$'000	Amounts due to related companies HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2019	(3,144)	10,301	1,417	8,574
Financing cash flows	(40,317)	(10,301)	(641)	(51,259)
Non-cash transactions:				
Distribution to Controlling Shareholder settled through current account	300	–	–	300
Dividend declared and settled through current account (Note 21)	43,161	–	–	43,161
Addition of leases	–	–	1,349	1,349
Remeasurement of right-of-use of property	–	–	(910)	(910)
As at 31 March 2020	<u>–</u>	<u>–</u>	<u>1,215</u>	<u>1,215</u>

(d) **Major non-cash transactions**

On 12 September 2019, a dividend of approximately HK\$43,161,000 was declared by the Company to the equity holder of the Company and was settled through current account with the then equity holder of the Company (also see Note 21).

25 CONTINGENT LIABILITIES

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably. As at 31 March 2018, 2019 and 2020, the Group did not have any significant contingent liabilities. The directors believe that any potential compensation arising from the ongoing litigations will be covered by relevant insurance coverage and these litigations will not have a material adverse effect on the consolidated financial statements of the Group.

26 SUBSEQUENT EVENTS

In addition to that disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2020.

- (i) Pursuant to a shareholders' resolution passed on 17 July 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of a further 9,962,000,000 shares ranking pari passu with the existing shares in all respects.
- (ii) Pursuant to a shareholders' resolution passed on 17 July 2020, subject to the share premium account of the Company being credited as a result of the Share Offer, the directors are authorised to allot and issue a total of 749,990,000 shares by way of capitalisation of the sum of HK\$7,499,900 standing to the credit of the share premium account of the Company.
- (iii) Pursuant to a shareholders' resolution passed on 17 July 2020, the Company conditionally adopted a share option scheme whereby the directors may grant options to eligible persons to subscribe the shares of the Company. No options have been granted up to the date of this report.
- (iv) The outbreak of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") since January 2020 may affect the business environment in Hong Kong. The Group considered that the COVID-19 Outbreak did not significantly impact the Group's financial performance for the year ended 31 March 2020, but if such situation continues in the long term, the Group's business operations and financial results may be affected, the extent of which could not be estimated at the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 as if the Share Offer had taken place on 31 March 2020 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2020 or at any future dates following the Share Offer. It is prepared based on the consolidated net tangible assets of the Group as at 31 March 2020 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 March 2020 HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share (Note 3) HK\$
Based on an Offer Price of HK\$0.52 per Share	192,668	106,179	298,847	0.30
Based on an Offer Price of HK\$0.64 per Share	192,668	134,377	327,045	0.33

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2020 of approximately HK\$192,668,000, as the Company did not have any intangible assets as at 31 March 2020.

- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.52 and HK\$0.64 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$13,278,000 which have been accounted for in the consolidated statement of comprehensive income of the Group prior to 31 March 2020) paid/payable by the Company and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and the General Mandate to Repurchase Shares.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 March 2020 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and the General Mandate to Repurchase Shares.
- (4) Save as disclosed elsewhere in this report, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2020.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

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

To the Directors of Chi Kan Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chi Kan Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2020, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 July 2020, in connection with the proposed initial public offering of the shares of the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2020 as if the proposed initial public offering had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 March 2020, on which an accountant's report has been published.

DIRECTORS' RESPONSIBILITY 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 ("**HKICPA**").

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *Hong Kong Standard on Quality Control 1* 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. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 initial public offering at 31 March 2020 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 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 judgement, having regard to the reporting accountant's understanding of the nature of the company, 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 compiled by the Directors 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 July 2020

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 July 2020 which is to be effective on 14 August 2020. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not

less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

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CAYMAN ISLANDS COMPANY LAW

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 April 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;

- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 2 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 April 2018. Our Company has established a principal place of business in Hong Kong at Rooms 1008 and 1009, 10/F, China Shipbuilding Tower, No. 650 Cheung Sha Wan Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 19 August 2019. Our Company has appointed Mr. Lo and Mr. Cheng Wai Hei as its authorised representatives under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents of our Company and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 April 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each, of which one Share was allotted and issued fully paid to an independent initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Magnificent Faith and additional 99 Shares were allotted and issued as fully paid to Magnificent Faith at par.
- (b) On 20 June 2018, our Company allotted and issued 620 new Shares credited as fully paid to Magnificent Faith.
- (c) On 22 October 2018, Magnificent Faith transferred 72 Shares to Clever Universal at par.
- (d) On 17 June 2019, our Company allotted and issued 252 and 28 new Shares credited as fully paid to Magnificent Faith and Clever Universal respectively as consideration for CK BVI's acquisition of the entire issued share capital of CK Woodworks from Mr. Lo and Clever Universal.
- (e) On 10 September 2019, Clever Universal transferred 100 Shares to Magnificent Faith (at the direction of Mr. Lo) pursuant to the Termination Agreement.

- (f) On 13 September 2019, our Company further allotted and issued 8,450 new Shares credited as fully paid to Magnificent Faith.
- (g) On 16 September 2019, our Company allotted and issued 550 new Shares credited as fully paid to CT Vision pursuant to the Pre-IPO Agreement dated 22 October 2018 entered into among our Company, Magnificent Faith and CT Vision.
- (h) On 16 September 2019, Magnificent Faith transferred 2,000 Shares to CT Vision pursuant to the Pre-IPO Agreement dated 22 October 2018 entered into among our Company, Magnificent Faith and CT Vision.
- (i) On 17 July 2020, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 new Shares pursuant to a resolution in writing passed by its Shareholders referred to in the paragraph headed “4. Written resolutions of our Shareholders” below.
- (j) Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid, with 9,000,000,000 Shares remaining unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “4. Written resolutions of our Shareholders” below and the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholder at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (k) Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure", there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders

Pursuant to the written resolutions of our Shareholders passed on 17 July 2020, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus, both to be effective on 14 August 2020;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares of HK\$0.01 each and such additional Shares shall rank pari passu in all respects with all existing Shares;
- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise (collectively the "Conditions"):
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued pursuant to the exercise of the Over-allotment Option;
 - (ii) the Share Option Scheme was approved and adopted and our Directors were authorised subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$7,499,900 standing to the credit of our Company's share premium account towards paying up in full at par 749,990,000 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of our Company at the close of business on 16 July 2020 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of our Board were authorised to give effect to the Capitalisation Issue;
- (d) conditional upon the fulfilment of the Conditions:

 - (i) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or the exercise of the Over-allotment Option or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares of an aggregate number not exceeding 20% of the aggregate number of Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;
 - (ii) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of such number of Shares not

exceeding 10% of the number of the Shares of our Company in issue and to be issued immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and

- (iii) the general unconditional mandate as mentioned in sub-paragraph (d)(i) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d)(ii) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

5. Corporate reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For details of the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 17 July 2020, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to repurchase the Shares as described above in the paragraph headed "4. Written resolutions of our Shareholders" in this Appendix.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

Under the Listing Rules, any Shares repurchased under the Repurchase Mandate must be fully paid up. The listing of all Shares repurchased shall be automatically cancelled upon repurchase and the certificates for those repurchased Shares shall be cancelled and destroyed.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/ she/ it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the subscription and transfer agreement relating to the shares of Chi Kan Holdings Limited entered into between our Company, Magnificent Faith and CT Vision dated 22 October 2018, pursuant to which CT Vision subscribed for and our Company allotted and issued 550 new Shares to CT Vision at the consideration of HK\$11,000,000, and thereafter Magnificent Faith transferred 2,000 Shares to CT Vision at the consideration of HK\$40,000,000;

- (b) the sale and purchase agreement relating to the entire issued share capital of Chi Kan Woodworks Company Limited (智勤造木有限公司) entered into among Mr. Lo and Clever Universal (together as vendors) and CK BVI (as purchaser) dated 17 June 2019 pursuant to which CK BVI purchased an aggregate of 300,000 ordinary shares of CK Woodworks from Mr. Lo and Clever Universal in consideration of our Company allotting and issuing 252 new Shares and 28 new Shares to Magnificent Faith (at the direction of Mr. Lo) and Clever Universal respectively, credited as fully paid;
- (c) the termination agreement in respect of the sale and purchase agreement relating to 30,000 shares of Chi Kan Woodworks Company Limited (智勤造木有限公司) dated 21 April 2017 entered into between Mr. Lo and Clever Universal dated 10 September 2019, pursuant to which, inter alia, Clever Universal transferred 100 Shares to Magnificent Faith (at the direction of Mr. Lo) at the consideration of RMB3,000,000 and in consideration of Mr. Lo waiving the outstanding payment obligations of Clever Universal under the promissory note issued by Clever Universal to Mr. Lo in the amount of HK\$12,000,000 with the maturity date of 30 June 2019;
- (d) the sale and purchase agreement relating to the entire issued share capital of Chi Kan Group (BVI) Limited entered into between our Company (as vendor) and CK Engineering Technology (as purchaser) dated 13 September 2019 pursuant to which CK Engineering Technology purchased 1,000 ordinary shares of CK BVI from our Company at the consideration of US\$1;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

Domain names

As at the Latest Practicable Date, our Group had registered the following domain name which we believe is material to our business:

Domain Name	Registrant	Registration Date	Expiry Date
www.chikanck.com	CK Woodworks	7 November 2018	7 November 2020

Save as disclosed, our Group has not registered or held any trade or service marks, patents, copyrights, other intellectual or industrial property rights in relation to the business of our Group.

D. DISCLOSURE OF INTERESTS

1. Interests and short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(a) Long position in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Mr. Lo ¹	Interest in a controlled corporation	558,750,000	55.9%
Mrs. Lo ²	Interest of spouse	558,750,000	55.9%

Notes:

1. Mr. Lo holds the entire issued share capital of Magnificent Faith and is deemed to be interested in all the Shares held by Magnificent Faith for the purpose of the SFO.
2. Mrs. Lo is the spouse of Mr. Lo. Accordingly, Mrs. Lo is deemed to be interested in all the Shares held by Mr. Lo under the SFO.

(b) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/nature	No. of share(s) held	Percentage of interest in the associated corporation
Mr. Lo	Magnificent Faith	Beneficial owner	1	100% in Magnificent Faith

2. Interests and short positions of Substantial Shareholders in the Shares, and underlying Shares of our Company

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Magnificent Faith	Beneficial owner	558,750,000	55.9%
CT Vision	Beneficial owner	191,250,000	19.1%
Dr. Ho ¹	Interest in a controlled corporation	191,250,000	19.1%

Note:

1. CT Vision is a company incorporated in the BVI and is wholly-owned by Dr. Ho. Accordingly, Dr. Ho is deemed to be interested in all the Shares held by CT Vision for the purpose of the SFO.

3. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

- (a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving not less than three months' notice in writing at any time after such initial fixed term to the other, provided that our Company may terminate the agreement by giving to our Director not less than three months' prior notice in writing at any time after the date of the agreement. The appointment shall terminate automatically in the event of the executive Director ceasing to be a Director for whatever reason.
- (b) Under the arrangements currently proposed, conditional upon the Listing, the annual remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits) payable by our Group to Mr. Lo and Mrs. Lo will be approximately HK\$1,200,000 and HK\$1,020,000 respectively.
- (c) Each of the executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director.

The non-executive Director has entered into a service agreement with our Company under which he is appointed for a period of three years commencing from the Listing Date. The annual director's fee payable to Dr. Yang Tao under his letter of appointment is HK\$150,000. Each of the independent non-executive Directors has entered into a service agreement with our Company under which each of them is appointed for a period of one year commencing from the Listing Date. The annual director's fee payable to each of Sr. Dr. Leung Tony Ka Tung, Ms. Chan Sze Man and Mr. Jiang Jungan under their respective letter of appointment shall be HK\$150,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his/her office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

During the Track Record Period, our Directors confirmed that our Group's remuneration policy for our Directors and senior management members of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of our Group and the individual performance of such Directors and senior management members. Our Company intends to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of our remuneration committee.

For each of FY2018, FY2019 and FY2020, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid/payable by our Company and the companies now comprising our Group, to our Directors were approximately HK\$1.0 million, HK\$1.1 million and HK\$1.2 million, respectively.

Further information in respect of our Directors' emoluments is set out in Appendix I to this prospectus. It is expected that the aggregate emoluments (excluding payment pursuant to any discretionary bonus or granting of share options) payable by our Group to our Directors (including the non-executive director and independent non-executive Directors) for FY2021 will be approximately HK\$2.0 million.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once the Shares are listed;

- (b) so far as our Directors are aware, none of our Directors and experts referred to in the paragraph headed “F. Other Information — 6. Qualifications of experts” of this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors and experts referred to in the paragraph headed “F. Other Information — 6. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service agreements with any member of our Group, excluding agreements which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (e) without taking into account any new Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to in the paragraph headed “F. Other Information — 6. Qualifications of experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors, their associates or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company’s issued share capital) has any interest in our Group’s top five suppliers, top five subcontractors and top five customers during the Track Record Period.

6. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the section headed “Underwriting” in this prospectus.

Save as disclosed herein and in the section headed “Directors and Senior Management” in this prospectus and the Accountant’s Report set out in Appendix I to this prospectus, none of our Directors, or the experts named in the paragraph headed “F. Other Information — 6. Qualifications of experts” in this Appendix had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years immediately preceding the date of this prospectus.

7. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this prospectus, please refer to note 22 of the Accountant’s Report set out in Appendix I to this prospectus.

E. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholders of our Company passed on 17 July 2020 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieve the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participants” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

Our Board may at its discretion grant options to:

- (a) any Eligible Employees. “**Eligible Employees**” means any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (b) any non-executive Director (including independent non-executive Directors) of our Company, any subsidiary or any Invested Entity;
- (c) any supplier of goods or services of any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by our Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

3. Subscription price of Shares

The exercise price for any Share under the Share Option Scheme shall subject to any adjustments made pursuant to paragraph 14 below, be a price determined by our Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date.

For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as our Board may determine) in favour of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (a) Subject to sub-paragraphs (b) to (d) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 100,000,000 Shares) (the "**Scheme Mandate Limit**") unless approved by our Shareholders pursuant to sub-paragraph (c) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) Subject to sub-paragraphs (c) and (d) below, the Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by our Shareholders. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share

Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to our Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.

- (c) Subject to sub-paragraph (d) below, our Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (d) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (a) approval of our Shareholders at general meeting, with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting;
- (b) a circular in relation to the proposal for such further grant must be sent by our Company to our Shareholders with such information from time to time as required by the Listing Rules;
- (c) the number and terms of the options to be granted to such proposed grantee shall be fixed before our Shareholders' approval mentioned in (a) above; and

- (d) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any Director, chief executive or Substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive Director who or whose associate is a proposed grantee of an option).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders by poll in a general meeting where the grantee, his/her associates and core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

Our Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Director is prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may (and may only) be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that our Board may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the allotment and issue of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by our Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on death or cessation of employment

- (a) In the event of death of the grantee (being an individual) before exercising the option in full, his/her personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not already exercised) within a period of 12 months following his/her death or such longer period as our Board may determine.
- (b) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his/her death, or the termination of his/her employment pursuant to paragraph 18(e), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as our Board may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable or the Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the exercise price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditors of our Company must confirm to our Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 13 above;
- (c) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (d) the expiry of the period referred to in paragraph 17 above;
- (e) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him/her an Eligible Employee, or the date on which he/she begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally or on which he/she has been convicted of any criminal offence involving his/her integrity or honesty, unless otherwise resolved to the contrary by our Board;
- (f) in respect of a grantee other than an Eligible Employee, the date on which our Board shall determine that (i)(a) such grantee has committed any breach of any contract entered into between such grantee on one part and our Group or any Invested Entity on the other part; or (b) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (c) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i)(a), (b) or (c) above, unless otherwise resolved to the contrary by our Board;
- (g) the expiry of the period referred to in paragraph 15 above; and
- (h) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by our Board.

If the grantee is a company wholly-owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(a) and (b), 18(e) and (f) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(a) and (b), 18(e) and (f) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant,

provided that our Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

Our Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by our Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

Our Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, our Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by our Board to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

F. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders have, entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries) pursuant to which the Controlling Shareholders have agreed to jointly and severally indemnify each of the members of our Group against, inter alia, the following:

- (a) the amount of any and all taxation falling on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into on or before the date on which the Share Offer becomes unconditional and the completion of the Share Offer which shall be evidenced by the first trading of the Shares on the Stock Exchange (the “**Effective Date**”), whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any of the members of our Group of any amounts paid by our Controlling Shareholders;
- (b) any claims, actions, demands, losses, proceedings, liabilities, damages, costs, expenses, penalties and fines of whatever nature including loss of profits or benefits sustained or incurred or suffered by any members of our Group directly or indirectly arising from or in connection with any non-compliance or alleged non-compliance with any applicable laws, rules or regulations of Hong Kong, the Cayman Islands, the BVI, the PRC or of any part of the world, in the course of its business on or before the Effective Date, including but not limited to the incidents referred to in the sections headed “Business — Litigation, Arbitration and Potential Claims”, “Business — Fire Prevention” and “Business — Non-compliance” and/or the implementation of the Reorganisation of our Group described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation”; or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against our Group and/or any act, non-performance, omission or otherwise of our Group accrued or arising on or before the Listing Date, including but not limited to the incidents referred to in the section headed “Business — Litigation, Arbitration and Potential Claims”.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity in respect of any taxation to the extent that, among others:

- (a) provision, reserve or allowance has been made for such taxation or liability in the audited accounts of our Company or any member of our Group for FY2018, FY2019 and FY2020; or
- (b) the taxation or liability fall on any member of our Group on or after the Listing Date which would not have arisen but for any act or omission of, or transaction voluntarily effected by our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Controlling Shareholders other than any such act, omission or transaction:
 - (i) carried out or in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
 - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of our Group for the purposes of any matter of taxation on or before the Listing Date; or
- (c) the taxation liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in law or practice coming into force after the date of the Deed of Indemnity or any retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; or
- (d) any provisions or reserve made for taxation, taxation claim or liability in the audited accounts of our Company or any member of our Group for FY2018, FY2019 and FY2020 which is finally established to be an over-provision or an excessive reserve, then the Controlling Shareholders' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision or excessive reserve; or

- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gain earned, accrued or received or transactions in the ordinary course of its business after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed “Business — Litigation, Arbitration and Potential Claims” in this prospectus, to the best of our Directors’ knowledge, there is no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group’s financial condition or results of operation.

3. The Sponsor

The Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fee of the Sponsor is HK\$6 million and is payable by our Company.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$50,000, which have been paid by us.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Ample Capital Limited	A licensed corporation carrying on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50), Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Appleby	Legal advisers to our Company as to the Cayman Islands law
Frost & Sullivan Limited	Independent market research consultant
Ms. Kennis Tai	Barrister-at-law in Hong Kong

None of the experts has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of experts

Each of the parties listed in the paragraph headed “6. Qualifications of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, opinion and/or references to its name (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share Registrars

The register of members of our Company will be maintained in the Cayman Islands by Ocorian Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Save as disclosed in the sections headed "Financial Information — No Material Adverse Change" and "Financial Information — Listing Expenses" in this prospectus, our Directors confirm that there has been no material adverse change in our financial prospects of our Company or its subsidiaries since 31 March 2020 (being the date to which the latest audited financial statements of our Company were made up) and up to the Latest Practicable Date.

11. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (c) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (d) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (f) there is no arrangement under which future dividend declared by our Company have been waived or agreed to be waived; and
- (g) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among others, the Application Forms, the written consents referred to in the section headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Hastings & Co. of 5/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for FY2018, FY2019 and FY2020;
4. the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
5. the letter of advice prepared by Appleby, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
6. the Companies Law;
7. the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
8. the service agreements and letters of appointment referred to in the section headed “Statutory and General Information — D. Disclosure of Interests — 3. Particulars of service agreements” in Appendix IV to this prospectus;

9. the written consents referred to in the section headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix IV to this prospectus;
10. the Share Option Scheme;
11. the Frost & Sullivan Report; and
12. the legal opinion prepared by our Hong Kong Legal Counsel.

CHI KAN HOLDINGS LIMITED
智勤控股有限公司